

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016

**Prepared by
Franklin Township School District
Department of Administration**

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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**FRANKLIN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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November 23, 2016

Honorable President and Members of the Board of Education
Franklin Township School District
52 Asbury Broadway Road,
Washington, New Jersey 07882

Dear Board Members:

The comprehensive annual financial report of the Franklin Township School District for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, "Single Audit Policy for recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditor's reports on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the Single Audit Section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Franklin Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the District are included in this report. The Franklin Township Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 6 as well as special education. The district completed the 2015/2016 fiscal year with an enrollment of 227.8 students, which is a -2.3% decrease over the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2006/2007	395.0	2.9%
2007/2008	348.0	-11.9%
2008/2009	340.8	-2.1%
2009/2010	318.0	-9.8%
2010/2011	294.3	-7.5%
2011/2012	287.2	-2.4%
2012/2013	271.3	-5.5%
2013/2014	250.9	-7.5%
2014/2015	233.1	-7.1%
2015/2016	227.8	-2.3%

2. ECONOMIC CONDITION AND OUTLOOK: Beginning in the 2007-2008 school year, Franklin Township has experienced steady decline in enrollment. This decline is a result of many factors, including but not limited to: 1) poor real estate market, resulting in the retention of homes for a longer period of time and students aging-out of the elementary school, 2) ongoing expansion of open-space acquisitions, resulting in less property available for development, and 3) five-acre zoning requirements, resulting in greater costs for new construction, compared to less restrictive requirements. With the steady decline in home values and sustained low mortgage rates, however, we are starting to see movement in the real estate market that should have a positive impact on enrollment. The 2015-2016 school year experienced a decline of 2.3% in its Average Daily Enrollment or 5.3 students. This is the smallest decline in eight years. Because of the distribution of the student population, 2016-2017 should show a similar decline, however, we are anticipating a small increase in 2017-2018. The Township of Franklin has benefited financially from the decline in enrollment, as staffing needs have declined with the decline in enrollment. It is not expected that staffing needs will increase in the foreseeable future.

3. MAJOR INITIATIVES: Franklin Township recognizes the value of continued professional development for the district's instructional staff. The area of greatest focus for 2015-2016 was a multi-session, after-school training program in classroom management, entitled Tools for Teaching. In the category of safety needs, the district completed some major upgrades to its main playground system during the summer of 2016. We have also continued on with the replacement of distressed ceiling systems in our 100 wing and the installation of LED lighting. Our technology program continues to work toward a one-to-one computer program, through the purchase of new tablets for student use. In the area of curriculum, the district continues to review and upgrade textbooks and curriculum materials, as more effect programs become available.

4. INTERNAL ACCOUNT CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

As part of the District’s single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital project fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

6. ACCOUNTING SYSTEM AND REPORTS: The District’s accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements”. Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues meeting its responsibilities for sound financial management.

The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2016, and the amount of percentage of increases (decreases) in relation to prior year revenues.

Revenues	Amount	% of Total	Increase (Decrease) from 2015	% of Increase (Decrease)
Local Sources:				
Tax Levy	\$ 3,710,747	67.09%	\$ (7,975)	-0.21%
Debt Service	239,213	4.33%	(5,025)	-2.06%
Other Revenues	70,709	1.28%	(11,647)	-14.14%
State Aid	1,399,528	25.30%	69,045	5.19%
Federal Aid	110,603	2.00%	5,846	5.58%
TOTAL:	<u>\$ 5,530,800</u>	<u>100.00%</u>	<u>\$ 50,244</u>	<u>0.92%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2016 and the percentage of increases (decreases) in relation to prior year amounts.

Expenditures	Amount	% of Total	Increase (Decrease) from 2015	% of Increase (Decrease)
General Fund:				
Current Expense	\$ 5,045,379	93.17%	\$ 166,582	3.41%
Capital Outlay	18,584	0.34%	(15,161)	-44.93%
Special Projects	112,253	2.07%	3,916	3.61%
Debt Service:				
Principle	190,000	3.51%	-	-
Interest	49,213	0.91%	(5,025)	-9.26%
TOTAL:	\$ 5,415,429	100.00%	\$ 150,312	2.85%

Note: Excludes lease purchase acquisitions and capital projects.

8. DEBT ADMINISTRATION: At June 30, 2016, the District’s outstanding debt issue was \$925,000 issued in February 2010 for the refunding of the 2001 bond issue.

9. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Financial Statement”, Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

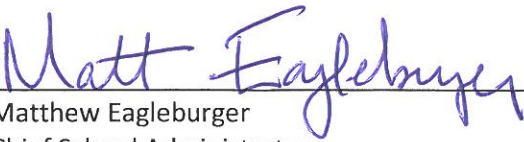
10. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.

11. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board’s audit committee selected the accounting firm of Bedard, Kurowicki and Company CPA’s P.C. In addition to meeting the requirements set forth in statute, the audit was also designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. The auditor’s report on the general-purpose financial statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Franklin Township School District Board of Education for their dedication in providing fiscal accountability to the citizens and taxpayers of the school district, and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

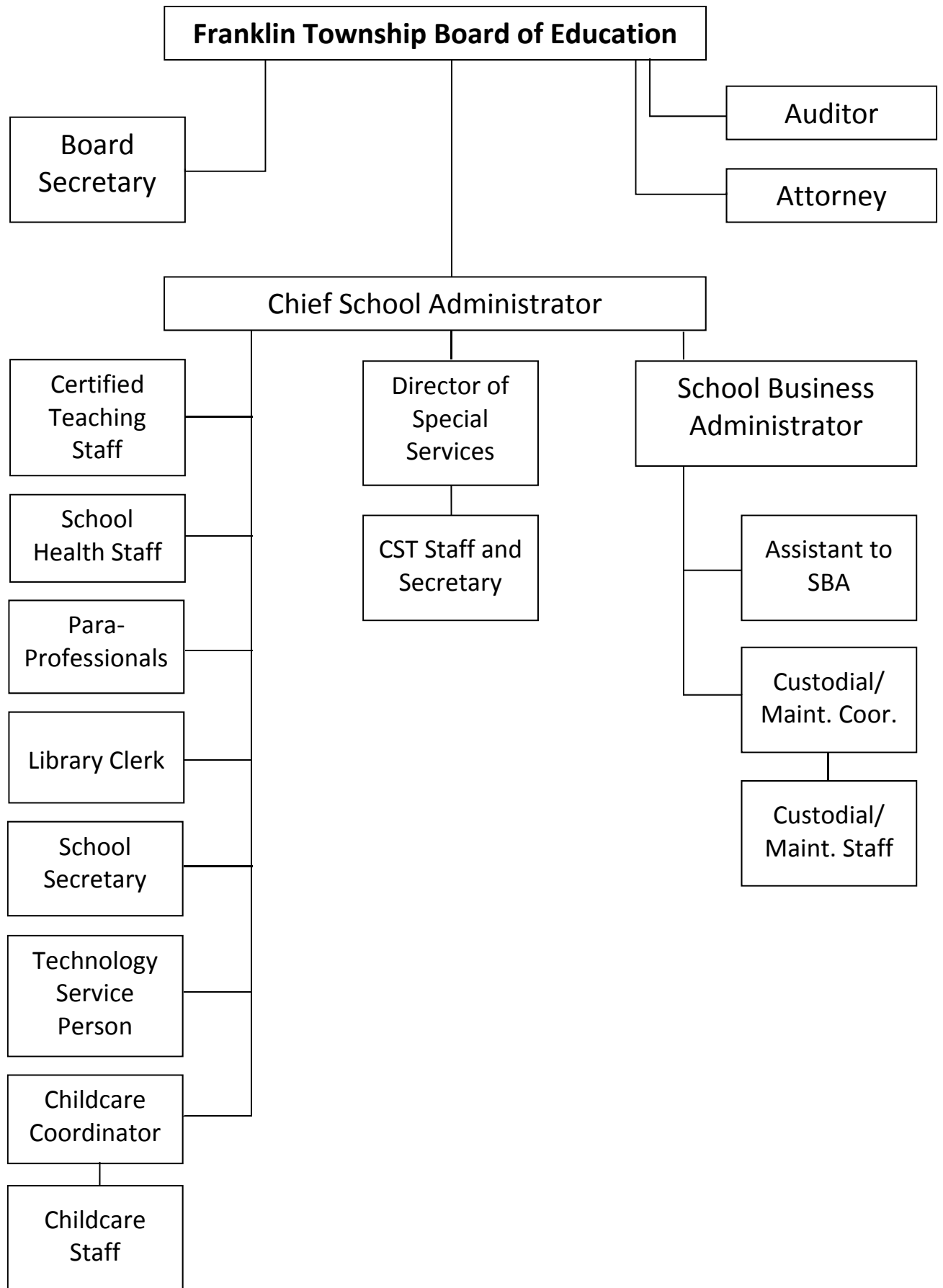
Respectfully Submitted,



Matthew Eagleburger
Chief School Administrator



Tim Duryea
School Business Administrator/Board Secretary



FRANKLIN TOWNSHIP SCHOOL DISTRICT
Washington, NJ

Roster of Officials
June 30, 2016

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Jean Hansen	President	2017
Rudy DiGilio	Vice-President	2018
Elizabeth Ames		2016
Mark Blaszk		2017
Kevin Klus		2016
Renee Hart		2017
David Orban		2018
Charles Roberto		2018
Bruce Simmons		2016

Other Officials

Matthew Eagleburger	Superintendent
Timothy Duryea	School Business Administrator / Board Secretary
James Miller	Treasurer
Swartz, Simon, Edelstien, & Celso, LLP	Solicitor

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Washington, NJ

Consultants and Advisors
June 30, 2016

AUDIT FIRM

Bedard, Kurowicki & Co.
114 Broad Street
Flemington, NJ 08822

ATTORNEY

Schwartz Simon, Edelstein, Celso & Kessler
44 Whippany Road
Morristown, NJ 07962

OFFICIAL DEPOSITORY

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Warren, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Governmental Activities, the Business-type Activities, each major fund, and the aggregate remaining fund information of the Franklin Township School District, (the District) in the County of Warren, the State of New Jersey, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether do to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the Business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information, Schedule of the District's Proportionate Share of Net Pension Liability, and Schedule of the District's Pension Contributions, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.


In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 23, 2016
Flemington, New Jersey

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The discussion and analysis of Franklin Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased \$79,671 which represents a 3.08 percent increase from 2015.
- General revenues accounted for \$6,206,045 revenue or 95.30 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$305,928 or 4.70 percent to total revenues of \$6,511,973.
- Total assets of governmental activities decreased by \$81,862 as cash and cash equivalents increased by \$183,044, receivables and other assets decreased by \$79,961 and capital assets decreased by \$184,945.
- The School District had \$6,435,302 in expenses; only \$305,928 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,206,045 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,179,334 in revenues and \$5,063,963 in expenditures. The General Fund's balance increased \$115,371 over 2015.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Franklin Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Franklin Township School District, the General Fund is by far the most significant fund.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and The Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but no limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provided. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

**Table 1
Net Position**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
ASSETS				
Current & Other Assets	\$ 1,566,219	\$ 1,450,144	\$ 116,075	8.00%
Capital Assets	3,669,027	3,854,433	(185,406)	-4.81%
Total Assets	5,235,246	5,304,577	(69,331)	-1.31%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount of Pension Liability	428,595	95,066	333,529	350.84%
LIABILITIES				
Long Term Liabilities	2,859,335	2,598,730	260,605	10.03%
Other Liabilities	41,253	54,751	(13,498)	-24.65%
Total Liabilities	2,900,588	2,653,481	247,107	9.31%
DEFERRED INFLOWS OF RESOURCES				
Deferred Amount of Pension Liability	93,861	156,441	(62,580)	-40.00%
NET POSITION				
Invested in Capital Assets, Net of Related Debt	2,744,027	2,739,433	4,594	0.17%
Restricted	700,218	659,060	41,158	6.24%
Unrestricted	(774,853)	(808,772)	33,919	-4.19%
Total Net Position	\$ 2,669,392	\$ 2,589,721	\$ 79,671	3.08%

Total assets decreased \$69,331. Cash and cash equivalents increased by \$193,703, receivables and other assets decreased by \$77,628 and capital assets decreased by \$185,406. Unrestricted net position of the School District increased by \$33,919. These are the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements.

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Table 2 shows the changes in net position in fiscal year 2016 with comparisons to 2015.

**Table 2
Changes in Net Position**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
REVENUES				
Program Revenues:				
Charges for Services	\$ 168,614	\$ 158,080	\$ 10,534	6.66%
Operating Grants & Contributions	137,314	134,001	3,313	2.47%
General Revenues:				
Property Taxes	3,949,960	3,962,960	(13,000)	-0.33%
Unrestricted Grants	2,243,633	1,948,839	294,794	15.13%
Other	12,452	15,910	(3,458)	-21.73%
Total Revenues	<u>6,511,973</u>	<u>6,219,790</u>	<u>292,183</u>	4.70%
PROGRAM EXPENSES				
Instruction:				
Regular	2,427,501	2,605,769	(178,268)	-6.84%
Special	1,028,105	846,207	181,898	21.50%
Other	55,192	45,694	9,498	20.79%
Support Services:				
Tuition	-	5,143	(5,143)	-100.00%
Student & Instructional Staff	1,386,865	1,102,115	284,750	25.84%
General & Business Administration	503,664	473,232	30,432	6.43%
School Administration	112,354	53,663	58,691	109.37%
Maintenance	559,508	397,781	161,727	40.66%
Transportation	182,827	164,847	17,980	10.91%
Food Service	76,638	75,464	1,174	1.56%
Child Care Service	49,013	55,316	(6,303)	-11.39%
Interest on Long Term Debt	50,635	56,099	(5,464)	-9.74%
Total Expenses	<u>6,432,302</u>	<u>5,881,330</u>	<u>550,972</u>	9.37%
Change in Net Position	<u>\$ 79,671</u>	<u>\$ 338,460</u>	<u>\$ (261,789)</u>	-76.46%

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 71.42 percent of revenues for governmental activities for the Franklin Township School District for fiscal year 2016.

Instruction comprises 54.58 percent of district expenses. Support services expenses make up 45.42 percent of the expenses.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2015 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Instruction	\$ 3,510,798	\$ 3,497,670	\$ 3,439,960	\$ 3,419,637
Support Services:				
Tuition	-	5,143	-	5,143
Student & Instructional Staff	1,386,865	1,102,115	1,302,477	1,023,745
General & Business Administration	503,664	473,232	503,664	473,232
School Administration	112,354	53,663	112,354	53,663
Plant Operations & Maintenance	559,508	397,781	544,581	382,854
Pupil Transportation	182,827	164,847	182,827	164,847
Food Service	76,638	75,464	(1,897)	361
Child Care Service	49,013	55,316	(8,227)	9,668
Interest on Long-Term Debt	50,635	56,099	50,635	56,099
	<u>\$ 6,432,302</u>	<u>\$ 5,881,330</u>	<u>\$ 6,126,374</u>	<u>\$ 5,589,249</u>

Instructional expenses include activities dealing directly with the teaching of pupils and the interaction between teacher and student.

Student and Instruction Related Services include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the district.

Plant operation and maintenance activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues and aid is apparent. For all activities local tax revenue support is 60.66 percent. The community, as a whole, is the primary support or funding source for the Franklin Township School District.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The School District’s Funds

Information about the School district’s major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,530,800 and expenditures of \$5,415,429. The net positive change in fund balance for the year was most significant in the General Fund, reflecting an increase of \$115,371.

General Fund Budgeting Highlights

The School District’s budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2016 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the General Fund, budget basis revenue and other financing sources were \$4,654,987, \$68,214 over original budgeted estimates of \$4,586,773. This difference was due primarily to additional extraordinary aid.

The General fund revenues and other financing sources of the School District exceeded expenditures by \$115,439, the financial position of the School District is strong.

Capital Assets

At the end of the fiscal year 2016, the School District had \$3,669,027 invested in land, building, furniture and equipment. Table 4 shows fiscal 2016 balances compared to 2015.

**Table 4
Capital Assets at Year End (Net of Depreciation)**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
Land	\$ 180,000	\$ 180,000		
Land Improvements	45,331	78,997	\$ (33,666)	-42.62%
Buildings & Improvements	3,392,613	3,532,457	(139,844)	-3.96%
Machinery & Equipment	51,083	62,979	(11,896)	-18.89%
	<u>\$ 3,669,027</u>	<u>\$ 3,854,433</u>	<u>\$ (185,406)</u>	<u>-4.81%</u>

Overall capital assets decreased \$185,406 from fiscal 2015 to fiscal year 2016.

Debt Administration

At June 30, 2016, the School District had \$2,859,335 in long-term liabilities. Of this amount, \$173,825 is for compensated absences, \$53,643 is for unamortized bond premium, \$1,706,867 is for PERS net pension liability, and the balance of \$925,000 is for bonds for school construction. Table 5 shows fiscal 2016 balances compared to 2015.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
FRANKLIN TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

**Table 5
Long-Term Liabilities at Year End**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
2010 Refunding Bond Issue	\$ 925,000	\$ 1,115,000	\$ (190,000)	-17.04%
Unamortized Bond Premium	53,643	62,584	(8,941)	-14.29%
Compensated Absences Liability	173,825	161,609	12,216	7.56%
PERS Net Pension Liability	1,706,867	1,259,537	447,330	35.52%
	<u>\$ 2,859,335</u>	<u>\$ 2,598,730</u>	<u>\$ 260,605</u>	10.03%

For the Future

At the present time, the Franklin Township School District is in a very good financial condition. A major concern is the continued freeze in state funding resulting in a potential increased reliance on local property taxes.

Franklin Township is primarily a residential, farming community, with very few industrial ratables; thus the burden is focused on homeowners to absorb this tax burden.

In conclusion, the Franklin Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact Tim Duryea, School Business Administrator/Board Secretary at Franklin Township Board of Education, 52 Asbury Broadway Road, Washington, NJ 07882 or email at tduryea@franklinschool.org.

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 645,001	\$ 37,208	\$ 682,209
Due from other funds	316	-	316
Receivables, net	169,129	11,423	180,552
Inventory	-	2,924	2,924
Restricted assets	700,218	-	700,218
Capital assets, net (Note 4)			
Land	180,000	-	180,000
Other capital assets, net of depreciation	3,487,021	2,006	3,489,027
Total assets	<u>5,181,685</u>	<u>53,561</u>	<u>5,235,246</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>428,595</u>	<u>-</u>	<u>428,595</u>
Liabilities			
Accounts payable	21,839	-	21,839
Accrued interest	16,130	-	16,130
Unearned revenue	500	2,784	3,284
Long-term liabilities (Note 5)			
Due within one year	193,941	-	193,941
Due beyond one year	2,665,394	-	2,665,394
Total liabilities	<u>2,897,804</u>	<u>2,784</u>	<u>2,900,588</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>93,861</u>	<u>-</u>	<u>93,861</u>
Net position			
Net investment in capital assets	2,742,021	2,006	2,744,027
Restricted for			
Capital reserve	365,931	-	365,931
Maintenance reserve	293,312	-	293,312
Capital projects	40,975	-	40,975
Unrestricted	<u>(823,624)</u>	<u>48,771</u>	<u>(774,853)</u>
Total net position	<u>\$ 2,618,615</u>	<u>\$ 50,777</u>	<u>\$ 2,669,392</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 1,414,886	\$ 1,012,615	\$ 42,973	\$ 27,865	\$ -	\$ (2,356,663)	\$ -	\$ (2,356,663)
Special education	393,807	521,240	-	-	-	(915,047)	-	(915,047)
Other special education	106,585	6,473	-	-	-	(113,058)	-	(113,058)
Other instruction	52,032	3,160	-	-	-	(55,192)	-	(55,192)
Support services								
Students & instruction related services	781,926	604,939	-	84,388	-	(1,302,477)	-	(1,302,477)
General & business administration services	296,730	206,934	-	-	-	(503,664)	-	(503,664)
School administration services	52,894	59,460	-	-	-	(112,354)	-	(112,354)
Plant operations & maintenance	341,612	217,896	14,927	-	-	(544,581)	-	(544,581)
Pupil transportation	162,275	20,552	-	-	-	(182,827)	-	(182,827)
Interest on long-term debt	50,635	-	-	-	-	(50,635)	-	(50,635)
Total governmental activities	<u>3,653,382</u>	<u>2,653,269</u>	<u>57,900</u>	<u>112,253</u>	<u>-</u>	<u>(6,136,498)</u>	<u>-</u>	<u>(6,136,498)</u>
Business-type activities								
Food service	76,638	-	53,474	25,061	-	-	1,897	1,897
Child Care Program	49,013	-	57,240	-	-	-	8,227	8,227
Total business-type activities	<u>125,651</u>	<u>-</u>	<u>110,714</u>	<u>25,061</u>	<u>-</u>	<u>-</u>	<u>10,124</u>	<u>10,124</u>
Total primary government	<u>\$ 3,779,033</u>	<u>\$ 2,653,269</u>	<u>\$ 168,614</u>	<u>\$ 137,314</u>	<u>\$ -</u>	<u>(6,136,498)</u>	<u>10,124</u>	<u>(6,126,374)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						3,710,747	-	3,710,747
Property taxes levied for debt service						239,213	-	239,213
Federal & State aid not restricted						2,243,633	-	2,243,633
Investment earnings						6,339	111	6,450
Miscellaneous income						4,820	1,182	6,002
Total general revenues, special items & transfers						<u>6,204,752</u>	<u>1,293</u>	<u>6,206,045</u>
Change in net position						68,254	11,417	79,671
Net position - beginning						2,550,361	39,360	2,589,721
Net position - ending						<u>\$ 2,618,615</u>	<u>\$ 50,777</u>	<u>\$ 2,669,392</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 645,001	\$ -	\$ -	\$ -	\$ 645,001
Due from other funds	15,300	-	-	-	15,300
Receivables from other governments					
State	141,921	-	-	-	141,921
Federal	-	15,484	-	-	15,484
Other accounts receivable	11,724	-	-	-	11,724
Restricted cash & cash equivalents	659,243	-	40,975	-	700,218
Total assets	\$ 1,473,189	\$ 15,484	\$ 40,975	\$ -	\$ 1,529,648
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 14,984	\$ -	\$ -	\$ 14,984
Accounts payable	21,839	-	-	-	21,839
Unearned revenue	-	500	-	-	500
Total liabilities	21,839	15,484	-	-	37,323

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Balance Sheet (continued)
Governmental Funds
June 30, 2016

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 40,975	\$ -	\$ 40,975
Excess surplus - designated for subsequent year's expenditures	198,769	-	-	-	198,769
Excess surplus - current year	264,572	-	-	-	264,572
Committed fund balance					
Capital reserve	365,931	-	-	-	365,931
Maintenance reserve	293,312	-	-	-	293,312
Assigned fund balance					
Encumbrances	61,375	-	-	-	61,375
Designated for subsequent year's expenditures	19,500	-	-	-	19,500
Unassigned fund balance	<u>247,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,891</u>
Total fund balances	<u>1,451,350</u>	<u>-</u>	<u>40,975</u>	<u>-</u>	<u>1,492,325</u>
Total liabilities and fund balances	<u>\$ 1,473,189</u>	<u>\$ 15,484</u>	<u>\$ 40,975</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the
Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$5,962,196 and the accumulated depreciation is \$2,295,175	3,667,021
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	334,734
Long-term liabilities, including bonds payable and compensated absences are not due & payable in the current period & therefore are not reported as liabilities in the funds	(2,859,335)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	<u>(16,130)</u>
Total net position of governmental activities	<u>\$ 2,618,615</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 3,710,747	\$ -	\$ -	\$ 239,213	\$ 3,949,960
Tuition charges					
Individuals	42,973	-	-	-	42,973
Interest on investments	6,339	-	-	-	6,339
Rents and royalties	14,927	-	-	-	14,927
Miscellaneous	4,820	1,650	-	-	6,470
	<u>3,779,806</u>	<u>1,650</u>	<u>-</u>	<u>239,213</u>	<u>4,020,669</u>
State sources	1,399,528	-	-	-	1,399,528
Federal sources	-	110,603	-	-	110,603
Total revenues	<u>5,179,334</u>	<u>112,253</u>	<u>-</u>	<u>239,213</u>	<u>5,530,800</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,387,021	27,865	-	-	1,414,886
Special education instruction	393,807	-	-	-	393,807
Other special instruction	106,585	-	-	-	106,585
Other instruction	52,032	-	-	-	52,032
Support service & undistributed costs					
Student & instruction related services					
General & business administrative services	697,538	84,388	-	-	781,926
School administrative services	296,730	-	-	-	296,730
Plant operations & maintenance	52,894	-	-	-	52,894
Pupil transportation	341,612	-	-	-	341,612
Unallocated benefits	162,275	-	-	-	162,275
	1,554,885	-	-	-	1,554,885

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 5,897	\$ -	\$ -	\$ -	\$ 5,897
Debt service					
Principal	-	-	-	190,000	190,000
Interest & other charges	12,687	-	-	49,213	61,900
Total expenditures	<u>5,063,963</u>	<u>112,253</u>	<u>-</u>	<u>239,213</u>	<u>5,415,429</u>
Excess (deficit) of revenues over (under) expenditures	<u>115,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,371</u>
Net change in fund balance	115,371	-	-	-	115,371
Fund balances, July 1	<u>1,335,979</u>	<u>-</u>	<u>40,975</u>	<u>-</u>	<u>1,376,954</u>
Fund balances, June 30	<u><u>\$ 1,451,350</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,975</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,492,325</u></u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net changes in fund balances - Governmental fund (from B-2) \$ 115,371

Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeds depreciation in the period:

Capital outlays	\$ 5,897	
Depreciation expense	<u>(190,842)</u>	(184,945)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:

Debt principal payments		190,000
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Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred & amortized in the Statement of Activities:

Amortization of bond premium		8,941
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Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

(51,221)

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2016

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	\$ 2,324
In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>(12,216)</u>
Change in net position of governmental activities	<u>\$ 68,254</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Food Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 16,242	\$ 20,966	\$ 37,208
Accounts receivable	-	9,051	9,051
Receivables from other governments			
State	102	-	102
Federal	2,270	-	2,270
Inventory	2,924	-	2,924
Total current assets	<u>21,538</u>	<u>30,017</u>	<u>51,555</u>
Noncurrent assets			
Capital assets	30,019	-	30,019
Less: accumulated depreciation	28,013	-	28,013
Total noncurrent assets	<u>2,006</u>	<u>-</u>	<u>2,006</u>
Total assets	<u>23,544</u>	<u>30,017</u>	<u>53,561</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,160	-	1,160
Unearned revenues - prepaid sales	1,260	-	1,260
Accounts payable	364	-	364
Total liabilities	<u>2,784</u>	<u>-</u>	<u>2,784</u>
Net position			
Net investment in capital assets	2,006	-	2,006
Unrestricted	18,754	30,017	48,771
Total net position	<u>\$ 20,760</u>	<u>\$ 30,017</u>	<u>\$ 50,777</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 34,818	\$ -	\$ 34,818
Daily sales - non-reimbursable programs	18,656	-	18,656
Fees for services	-	57,240	57,240
Total operating revenues	<u>53,474</u>	<u>57,240</u>	<u>110,714</u>
Operating expenses			
Cost of sales - reimbursable programs	23,093	-	23,093
Cost of sales - non-reimbursable programs	12,373	-	12,373
Salaries	19,469	43,887	63,356
Support services - employee benefits	3,011	3,635	6,646
Purchased professional/technical services	1,798	-	1,798
Purchased property services	351	-	351
Other purchased services			
Insurance	2,135	-	2,135
Management fee	7,315	-	7,315
Office expenses	-	395	395
Supplies and materials	4,146	1,060	5,206
Depreciation	461	-	461
Miscellaneous expenditures	2,486	36	2,522
Total operating expenses	<u>76,638</u>	<u>49,013</u>	<u>125,651</u>
Operating income (loss)	<u>(23,164)</u>	<u>8,227</u>	<u>(14,937)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	779	-	779
Federal sources			
National school lunch program	-	-	-
Cash assistance	17,733	-	17,733
Non cash assistance (commodities)	6,549	-	6,549
Other sources	1,182	-	1,182
Interest earned on investments	59	52	111
Total non-operating revenues (expenses)	<u>26,302</u>	<u>52</u>	<u>26,354</u>
Change in net position	3,138	8,279	11,417
Net position, beginning	<u>17,622</u>	<u>21,738</u>	<u>39,360</u>
Net position, ending	<u>\$ 20,760</u>	<u>\$ 30,017</u>	<u>\$ 50,777</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 53,588	\$ 56,628	\$ 110,216
Payments to Food Service Management Co.	(66,229)	(47,522)	(113,751)
Payments to vendors (net)	(3,138)	(1,490)	(4,628)
Net cash provided by (used for) operating activities	<u>(15,779)</u>	<u>7,616</u>	<u>(8,163)</u>
Cash flows from non-capital financing activities			
State sources	739	-	739
Federal sources	16,790	-	16,790
Miscellaneous	1,182	-	1,182
Net cash provided by (used for) noncapital financing activities	<u>18,711</u>	<u>-</u>	<u>18,711</u>
Cash flows from investing activities			
Interest on investments	59	52	111
Net increase (decrease) in cash and cash equivalents	2,991	7,668	10,659
Cash and cash equivalents, beginning	<u>13,251</u>	<u>13,298</u>	<u>26,549</u>
Cash and cash equivalents, ending	<u>\$ 16,242</u>	<u>\$ 20,966</u>	<u>\$ 37,208</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (23,164)	\$ 8,227	\$ (14,937)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	461	-	461
Federal food donation program	6,549	-	6,549
(Increase) decrease in accounts receivable	-	(611)	(611)
Increase (decrease) in accounts payable	364	-	364
(Increase) decrease in inventory	(739)	-	(739)
Increase (decrease) in unearned revenue	750	-	750
Net cash provided by (used for) operating activities	<u>\$ (15,779)</u>	<u>\$ 7,616</u>	<u>\$ (8,163)</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Student Activity <u>Agency Fund</u>	Payroll <u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 5,408	\$ 153,909
Accounts receivable	-	16,010
Total assets	<u>\$ 5,408</u>	<u>\$ 169,919</u>
Liabilities		
Due to other funds	\$ -	\$ 316
Due to student groups	5,408	-
Summer pay	-	146,357
FSA Section 125 Plan	-	9,806
Payroll deductions and withholdings	-	12,656
Net payroll	-	784
Total liabilities	<u>\$ 5,408</u>	<u>\$ 169,919</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Board of Education (Board) of the Franklin Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The basic financial statements include:

Management's Discussion and Analysis (MD&A) providing an analysis of the Districts over all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three year terms. The purpose of the District is to educate students in Grades K-6. The District had an approximate enrollment at June 30, 2016 of 232 students.

The primary criterion for including activities within the District's reporting entity as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its Governmental Funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the Capital Outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Additionally, the District reports the following fund types:

Proprietary fund types

Proprietary Fund - The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund and Child Care Program

All Proprietary Funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years

Fiduciary Fund Types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the "Benefit Reimbursement Method."

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2016 were insignificant.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last State aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds other than the Special Revenue Fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal years 2015-2016 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable/payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Vehicles	4 - 8
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (i.e., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

Unearned revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Fund balances - Governmental Funds

In the fund financial statements, Governmental Funds report the following classifications of fund balance:

- Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

O. Comparative data/reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

P. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF pension contributions, reimbursed TPAF Social Security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local School Districts, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized cost. All other investments are stated at fair value.

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

NJSA 17:9-41 e.t. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both State and national banks) and saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Deposits at June 30, 2016 appear in the financial statements as summarized below:

Cash		\$ 1,541,744
	<u>Ref.</u>	
Cash		
Governmental Funds, Balance Sheet	B-1	\$ 1,345,219
Enterprise Funds, Statement of Net Position	B-4	37,208
Fiduciary Funds, Statement of Net Position	B-7	159,317
Total cash		\$ 1,541,744

Deposits - The District's carrying amount of bank deposits at June 30, 2016 is \$1,541,744 and the bank balance is \$1,672,308. Of the bank balance, \$250,000 is covered by Federal Depository Insurance and \$1,422,308 is insured by GUDPA.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and cash equivalents and investments (continued)

GASB Statement No. 40 “Deposit and Investment Risk Disclosures” requires State and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures are required for:
 - Deposits that are uninsured and either (a) uncollateralized or (b) collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the government’s name
 - Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty’s trust department or agent but not in the government’s name
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the District has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the District has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the District has no such investments this disclosure is not applicable.

Concentration of credit risk

The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer. As of June 30, 2016, the District had no investments.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 180,000	\$ -	\$ -	\$ 180,000
Total	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
Capital assets, being depreciated				
Land improvements	112,428	-	-	112,428
Building & improvements	5,390,837	-	-	5,390,837
Furniture & equipment	273,034	5,897	-	278,931
Total	<u>5,776,299</u>	<u>5,897</u>	<u>-</u>	<u>5,782,196</u>
Accumulated depreciation				
Land improvements	33,431	33,666	-	67,097
Building & improvements	1,858,380	139,844	-	1,998,224
Furniture & equipment	212,522	17,332	-	229,854
Total	<u>2,104,333</u>	<u>190,842</u>	<u>-</u>	<u>2,295,175</u>
Total capital assets, being depreciated, net	<u>3,671,966</u>	<u>(184,945)</u>	<u>-</u>	<u>3,487,021</u>
Governmental activities capital assets, net	<u>\$ 3,851,966</u>	<u>\$ (184,945)</u>	<u>\$ -</u>	<u>\$ 3,667,021</u>
Business type activities				
Furniture & equipment	\$ 30,019	\$ -	\$ -	\$ 30,019
Less: accumulated depreciation	<u>27,552</u>	<u>461</u>	<u>-</u>	<u>28,013</u>
Business type activities capital assets, net	<u>\$ 2,467</u>	<u>\$ (461)</u>	<u>\$ -</u>	<u>\$ 2,006</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction		
Regular	\$	85,930
Special education		23,918
Other special instruction		6,473
Other instruction		3,160
Support services		
Student & instruction		47,489
General & business administration		18,021
School administration		3,212
Plant maintenance		2,639
Total depreciation expense, governmental activities	\$	<u>190,842</u>

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 1,115,000	\$ -	\$ 190,000	\$ 925,000	\$ 185,000
Unamortized bond premium	62,584	-	8,941	53,643	8,941
PERS net pension liability	1,259,537	447,330	-	1,706,867	-
Compensated absence payable	161,609	14,639	2,423	173,825	-
Total governmental activities long-term liabilities	<u>\$ 2,598,730</u>	<u>\$ 461,969</u>	<u>\$ 201,364</u>	<u>\$ 2,859,335</u>	<u>\$ 193,941</u>

Payments on the general obligation bonds are made in the debt service fund from property taxes and State aid. The other long-term debts are paid in the current expenditures budget of the District's General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016, including interest payments are listed as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 185,000	\$ 43,012	\$ 228,012
2018	185,000	37,000	222,000
2019	185,000	27,750	212,750
2020	185,000	18,500	203,500
2021	185,000	9,250	194,250
Total	<u>\$ 925,000</u>	<u>\$ 135,512</u>	<u>\$ 1,060,512</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2016, with their outstanding balances are comprised of the following individual issues:

\$2,045,000 - 2010 general obligation school building bonds, interest at 2.00% to 5.00% due in annual installments beginning February 15, 2011, through February 15, 2021,	<u>\$ 925,000</u>
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The general obligation bonded debt of the District is limited by State law to 2.5% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2016 is \$9,580,041. General obligation debt at June 30, 2016 is \$925,000, resulting in a legal debt margin of \$8,655,041.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

A. Public employees' retirement systems (PERS)

Plan description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by NJSA 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
A. Public employees' retirement systems (PERS) (continued)
Plan description (continued)

The following represents the membership tiers for PERS:

Tier	Definition
1	Members enrolled prior to July 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2015 and 2014 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2015 and 2014, the State's pension contribution was less than the actuarial determined amount

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2015 and 2014 are as follows:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
A. Public employees' retirement systems (PERS) (continued)
Components of net pension liability (continued)

	2015	2014
Total pension liability	\$ 3,277,902	\$ 2,628,460
Plan fiduciary net position	1,571,035	1,368,923
Net pension liability	\$ 1,706,867	\$ 1,259,537
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	3.04%
Salary increases (based on age)	
2012 - 2021	2.15% - 4.40%
Thereafter	3.15% - 5.40%
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grad Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2015 and 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate (continued)

	2015
At current discount rate (4.90%)	1,706,867
At a 1% lower rate (3.90%)	2,121,427
At a 1% higher rate (5.90%)	1,359,303
	2014
At current discount rate (5.39%)	1,259,537
At a 1% lower rate (4.39%)	1,584,540
At a 1% higher rate (6.39%)	986,617

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,720	\$ -
Changes of assumptions	183,304	-
Net difference between projected and actual earnings on pension plan investments	-	27,443
Changes in proportion and differences between District contributions and proportionate share of contributions	139,200	66,418
District contributions subsequent to the measurement date	65,371	-
Total	\$ 428,595	\$ 93,861

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) of \$65,371 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2015:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions	\$ 44,766	\$ 227,209	\$ 47,951	\$ 224,024
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	84,839	(45,232)	12,164	27,443
Net of deferred outflows/(inflows)				\$ 196,581

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year ending June 30,

2016	\$	35,788
2017		35,788
2018		35,787
2019		56,998
2020		32,220
Total	\$	196,581

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense

For the year ended June 30, 2016, the District recognized net pension expense of \$116,592, which represents the District's proportionate share of allocable plan pension expense of \$111,970, plus the net amortization of deferred amounts from changes in proportion of \$14,533, and less other adjustments to the net pension liability of \$9,911. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2015 are as follows:

Service cost	\$	67,067
Interest on total pension liability		159,831
Member contributions		(37,099)
Administrative expense		1,246
Expected investment return net of investment expense		(114,200)
Pension expense related to specific liabilities of individual employers		(663)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		39,324
Amortization of expected versus actual experience		8,627
Amortization of projected versus actual investment earnings on pension plan investments		(12,163)
Pension expense	\$	111,970

B. Teacher's pension and annuity fund (TPAF)

Plan description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by NJSA 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Plan description (continued)

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members enrolled prior to July 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with NJSA 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal years ending June 30, 2015 and 2014 is as follows:

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Special funding situation (continued)

	2015	2014
Net pension liability	\$ 13,824,384	\$ 11,491,609
Employer pension expense and related revenue	844,103	618,356
Non-employer contribution	117,549	91,334
Allocable proportionate percentage	0.0218725480%	0.0215010448%

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2016) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statement and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Contribution requirements

The contribution policy is set by State statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Significant legislation which became effective October 1, 2011, will gradually increase the employee contribution rate for PERS and TPAF members. Effective October 1, 2011, the rate increased from 5.50% to 6.50% of annual contractual compensation for employees enrolled in the TPAF and PERS pension plans. The rate will increase each year on the first of July over a seven year phase-in period until the withholding rate reaches 7.50% effective July 1, 2018. Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. Employers are required to contribute at an actuarially determined rate in TPAF, PERS and DCRP. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. Under current statute, the Board is a noncontributing employer of the TPAF.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
Three-year trend information for TPAF (paid on behalf of the District):

<u>Year Funding</u>	<u>TPAF Benefit Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 371,236	100%
06/30/15	305,974	100%
06/30/14	240,095	100%

Three-year trend information for PERS:

<u>Year Funding</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 65,371	100%
06/30/15	55,459	100%
06/30/14	54,487	100%

During the year ended June 30, 2016, the State of New Jersey contributed \$201,778 to the TPAF for post-retirement medical benefits, \$8,041 for non-contributory insurance premiums and \$161,417 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$153,179 during the year ended June 30, 2016 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

Note 7 - Post-retirement benefits
Chapter 384 of PL 1987 and Ch. 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2015, the State paid \$214.1 million toward Ch. 126 benefits for 19,056 eligible retired members.

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 by visiting their website at (www.nj.gov/treasury/pensions).

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403 (b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

- Equitable Insurance Co
- Prudential Insurance Co
- Phoenix Home Life Mutual Insurance Co

Note 9 - Interfund receivable and payables

As of June 30, 2016, the Payroll Agency Fund has an interfund payable for \$316 due to the General Fund for the flexible spending reimbursements not yet transferred as of year-end. The Special Revenue Fund had an interfund payable for \$14,984 due to the General Fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory

Inventory in the Food Service Fund as of June 30, 2016 consisted of the following:

Food	\$ 2,191
Supplies	733
Total	\$ 2,924

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

Note 11 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Note 12 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts

A Capital Reserve Account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual General Fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to NJSA 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning in fiscal year 2008, districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$40,000 to their Capital Reserve Account by Board resolution in June 2016 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 324,774	\$ 40,000	\$ 1,157	\$ -	\$ -	\$ 365,931
Maintenance	293,312	-	-	-	-	293,312
Total	<u>\$ 618,086</u>	<u>\$ 40,000</u>	<u>\$ 1,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,243</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balances - Budgetary basis

As described in Note 1 N-Fund Equity (Fund Balance) may be restricted, committed or assigned. An analysis of the General Fund balance on June 30, 2016 and 2015 is as follows:

	2016	2015
Restricted		
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ 264,572	\$ 198,769
Excess surplus - Designated for subsequent year's expenditures - Amount appropriated in the succeeding year's budget to reduce tax requirements	198,769	210,056
Committed		
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	365,931	324,774
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA. (NJSA18A:76-9).	293,312	293,311
Assigned		
Designated surplus - Designated for subsequent year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	19,500	50,000
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	61,375	13,965
Unassigned		
Undesignated - Represents fund balance which has not been restricted or designated.	321,455	318,599
Total fund balance	\$ 1,524,914	\$ 1,409,474

Note 15 - Calculation of excess surplus

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$264,572.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Subsequent events

The District has evaluated subsequent events through November 23, 2016, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report:

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "*Tax Abatement Disclosures*". This statement, which is effective for reporting periods beginning after December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "*Pension's Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". This statement, which is effective for reporting periods beginning December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "*Certain External Investment Pools and Pool Participants*". This statement, which is effective for reporting periods beginning December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "*Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*". This statement, which is effective for reporting periods beginning June 15, 2016, is not expected to have a material impact on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "*Pension Issues - an amendment of GASB Statements No. 67 and No. 73*". This statement is effective for reporting periods beginning June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement is not expected to have a material impact on the District's financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "*Tax Abatement Disclosures*". This statement, which is effective for fiscal periods beginning December 15, 2015, is not expected to have an effect on the District's financial reporting.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2016 of \$(823,624) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 3,710,747	\$ -	\$ 3,710,747	\$ 3,710,747	\$ -
Tuition from individuals	53,400	-	53,400	42,973	(10,427)
Rents and royalties	-	-	-	14,927	14,927
Unrestricted miscellaneous revenues	18,000	-	18,000	10,002	(7,998)
Interest earned on maintenance reserve	500	-	500	-	(500)
Interest earned on capital reserve funds	400	-	400	1,157	757
Total	<u>3,783,047</u>	<u>-</u>	<u>3,783,047</u>	<u>3,779,806</u>	<u>(3,241)</u>
State sources					
Categorical transportation aid	19,335	-	19,335	19,335	-
Extraordinary aid	55,435	-	55,435	126,456	71,021
Categorical special education aid	147,307	-	147,307	147,307	-
Equalization aid	557,245	-	557,245	557,245	-
Categorical security aid	4,013	-	4,013	4,013	-
Other state aid	20,391	-	20,391	20,825	434
TPAF Pension (on-behalf)	-	-	-	169,458	169,458
TPAF Social Security (reimbursed)	-	-	-	153,179	153,179
TPAF Post retirement benefits	-	-	-	201,778	201,778
Total	<u>803,726</u>	<u>-</u>	<u>803,726</u>	<u>1,399,596</u>	<u>595,870</u>
Total revenues	<u>\$ 4,586,773</u>	<u>\$ -</u>	<u>\$ 4,586,773</u>	<u>\$ 5,179,402</u>	<u>\$ 592,629</u>
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 68,150	\$ 100	\$ 68,250	\$ 67,745	\$ 505
Kindergarten	142,750	1,100	143,850	143,544	306
Grades 1-5	882,050	1,500	883,550	883,452	98
Grades 6-8	194,450	(3,050)	191,400	188,619	2,781
Regular programs - undistributed instruction					
Other purchased services	23,200	-	23,200	20,250	2,950
General supplies	84,114	22,601	106,715	53,560	53,155
Textbooks	71,277	(27,101)	44,176	28,720	15,456
Other objects	1,000	500	1,500	1,131	369
Total	<u>1,466,991</u>	<u>(4,350)</u>	<u>1,462,641</u>	<u>1,387,021</u>	<u>75,620</u>
Special education					
Multiple disabilities					
Salaries of teachers	57,200	-	57,200	55,200	2,000
Total	<u>57,200</u>	<u>-</u>	<u>57,200</u>	<u>55,200</u>	<u>2,000</u>
Resource room/resource center					
Salaries of teachers	217,175	-	217,175	213,642	3,533
Other salaries for instruction	145,900	(11,200)	134,700	117,387	17,313
General supplies	4,000	2,800	6,800	6,628	172
Total	<u>367,075</u>	<u>(8,400)</u>	<u>358,675</u>	<u>337,657</u>	<u>21,018</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Home instruction					
Salaries of teachers	\$ 600	\$ 350	\$ 950	\$ 950	\$ -
Total	600	350	950	950	-
Total special education	424,875	(8,050)	416,825	393,807	23,018
Basic skills/remedial					
Salaries of teachers	108,650	-	108,650	106,527	2,123
General supplies	500	-	500	58	442
Total	109,150	-	109,150	106,585	2,565
School-sponsored co/extra curricular activities-instruction					
Salaries	15,000	7,000	22,000	20,441	1,559
Supplies and materials	1,000	-	1,000	446	554
Other objects	300	-	300	-	300
Total	16,300	7,000	23,300	20,887	2,413
Summer school - instruction					
Salaries of teachers	14,520	4,800	19,320	19,226	94
Other salaries of instruction	9,860	2,200	12,060	11,919	141
General supplies	200	-	200	-	200
Total	24,580	7,000	31,580	31,145	435
Total instruction regular	\$ 2,041,896	\$ 1,600	\$ 2,043,496	\$ 1,939,445	\$ 104,051
Undistributed expenditures - instruction					
Tuition to priv. school for the disabled w/i State	\$ 50,000	\$ (4,800)	\$ 45,200	\$ -	\$ 45,200
Total	50,000	(4,800)	45,200	-	45,200
Undistributed expenditures - health services					
Salaries	65,500	550	66,050	66,005	45
Purchased professional and technical services	1,150	(1,000)	150	130	20
Supplies and materials	1,800	550	2,350	1,050	1,300
Total	68,450	100	68,550	67,185	1,365
Undistributed expenditures - speech, ot, pt & related services					
Salaries	69,000	400	69,400	69,355	45
Purchased professional - educational services	132,404	(3,000)	129,404	102,191	27,213
Supplies and materials	600	300	900	856	44
Total	202,004	(2,300)	199,704	172,402	27,302
Undistributed expend - other supp. service stds. - extra service					
Salaries	104,700	(5,150)	99,550	98,747	803
Purchased professional - educational services	-	5,150	5,150	5,130	20
Total	104,700	-	104,700	103,877	823

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures- guidance					
Salaries of other professional staff	\$ 2,000	\$ (1,000)	\$ 1,000	\$ -	\$ 1,000
Purchased professional - educational services	1,700	-	1,700	1,500	200
Total	<u>3,700</u>	<u>(1,000)</u>	<u>2,700</u>	<u>1,500</u>	<u>1,200</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	175,400	-	175,400	174,864	536
Salaries of secretarial and clerical assistants	39,468	-	39,468	39,465	3
Purchased professional - educational services	8,500	1,900	10,400	10,285	115
Other purchased services	336	-	336	8	328
Supplies and materials	2,900	200	3,100	3,020	80
Other objects	2,700	(1,100)	1,600	970	630
Total	<u>229,304</u>	<u>1,000</u>	<u>230,304</u>	<u>228,612</u>	<u>1,692</u>
Undistributed expenditures - improvement of inst. service					
Other purchased services	17,625	15,475	33,100	32,234	866
Total	<u>17,625</u>	<u>15,475</u>	<u>33,100</u>	<u>32,234</u>	<u>866</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	64,275	(100)	64,175	62,896	1,279
Purchased professional and technical services	12,600	(1,825)	10,775	10,560	215
Other purchased services	200	-	200	-	200
Supplies and materials	1,000	450	1,450	1,387	63
Total	<u>78,075</u>	<u>(1,475)</u>	<u>76,600</u>	<u>74,843</u>	<u>1,757</u>
Undistributed expenditures - instructional staff training services					
Salaries of supervisor of instruction	-	450	450	450	-
Other purchased services	1,529	50	1,579	1,560	19
Supplies and materials	250	1,850	2,100	2,038	62
Other objects	15,235	(2,350)	12,885	12,837	48
Total	<u>17,014</u>	<u>-</u>	<u>17,014</u>	<u>16,885</u>	<u>129</u>
Undistributed expend. - support service - general admin.					
Salaries	129,100	-	129,100	124,767	4,333
Legal services	8,000	5,000	13,000	1,858	11,142
Audit fees	14,500	-	14,500	14,200	300
Architectural/engineering services	3,000	-	3,000	-	3,000
Communications/telephone	4,100	-	4,100	2,066	2,034
Boe other purchased services	800	-	800	287	513
Misc purch services	6,625	-	6,625	5,624	1,001
General supplies	1,550	1,200	2,750	2,674	76
Miscellaneous expenditures	12,150	(200)	11,950	7,419	4,531
Boe membership dues and fees	3,400	-	3,400	3,246	154
Total	<u>183,225</u>	<u>6,000</u>	<u>189,225</u>	<u>162,141</u>	<u>27,084</u>
Undistributed expend. - support service - school admin.					
Salaries of secretarial and clerical assistants	37,400	-	37,400	37,360	40
Supplies and materials	1,000	-	1,000	592	408
Total	<u>38,400</u>	<u>-</u>	<u>38,400</u>	<u>37,952</u>	<u>448</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - central services					
Salaries	\$ 131,900	\$ 250	\$ 132,150	\$ 132,104	\$ 46
Miscellaneous purchased services	400	50	450	100	350
Supplies and materials	1,040	(300)	740	497	243
Other objects	2,300	-	2,300	1,888	412
Total	135,640	-	135,640	134,589	1,051
Undistributed expenditures - admin. info. technology					
Purchased professional services	7,900	-	7,900	7,302	598
Purchased technical services	7,800	-	7,800	7,640	160
Total	15,700	-	15,700	14,942	758
Undistributed expend. - required maint. for school facilities					
Salaries	68,500	-	68,500	63,644	4,856
Cleaning, repair, and maintenance services	25,900	(800)	25,100	23,918	1,182
Total	94,400	(800)	93,600	87,562	6,038
Undistributed expenditures - custodial services					
Salaries	99,850	-	99,850	98,378	1,472
Purchased professional and technical services	1,486	1,100	2,586	2,464	122
Cleaning, repair, and maintenance service	5,350	800	6,150	6,093	57
Insurance	35,000	116	35,116	34,291	825
Miscellaneous purchased services	5,500	150	5,650	5,607	43
General supplies	30,435	9,600	40,035	40,005	30
Energy (natural gas)	25,000	(8,050)	16,950	15,699	1,251
Energy (electricity)	59,000	(6,400)	52,600	46,914	5,686
Other objects	1,300	84	1,384	411	973
Total	262,921	(2,600)	260,321	249,862	10,459
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	1,000	1,600	2,600	2,582	18
General supplies	3,006	1,800	4,806	1,606	3,200
Total	4,006	3,400	7,406	4,188	3,218
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	950	-	950	-	950
General supplies	300	-	300	-	300
Total	1,250	-	1,250	-	1,250
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	10,600	450	11,050	10,755	295
Contract service-aid in lieu pymts- non - public schools	900	(450)	450	442	8
Contract service-aid in lieu pymts - choice school students	8,000	-	8,000	5,746	2,254
Contract services (between home & school) - vendors	103,000	-	103,000	101,787	1,213
Contract service (between home & school) - joint agreements	20,000	-	20,000	10,010	9,990
Contract service (spl. ed. students) - escs & ctsas	51,000	-	51,000	33,535	17,465
Total	193,500	-	193,500	162,275	31,225

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Unallocated benefits - employee benefits					
Social Security contributions	\$ 62,000	\$ 1,100	\$ 63,100	\$ 62,561	\$ 539
Other retirement contributions - PERS	59,000	6,400	65,400	65,371	29
Unemployment compensation	12,500	-	12,500	12,332	168
Workmen's compensation	23,000	-	23,000	21,417	1,583
Health benefits	757,000	-	757,000	741,578	15,422
Tuition reimbursement	20,000	-	20,000	20,000	-
Other employee benefits	166,000	(22,100)	143,900	107,211	36,689
Total	<u>1,099,500</u>	<u>(14,600)</u>	<u>1,084,900</u>	<u>1,030,470</u>	<u>54,430</u>
On-behalf TPAF pension contribution	-	-	-	169,458	(169,458)
On-behalf TPAF post retirement medical benefits	-	-	-	201,778	(201,778)
Reimbursed TPAF Social Security contribution	-	-	-	153,179	(153,179)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>524,415</u>	<u>(524,415)</u>
Total undistributed expenditures	<u>\$ 2,799,414</u>	<u>\$ (1,600)</u>	<u>\$ 2,797,814</u>	<u>\$ 3,105,934</u>	<u>\$ (308,120)</u>
Total current	<u>\$ 4,841,310</u>	<u>\$ -</u>	<u>\$ 4,841,310</u>	<u>\$ 5,045,379</u>	<u>\$ (204,069)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - general admin.	5,897	-	5,897	5,897	-
Total equipment	<u>5,897</u>	<u>-</u>	<u>5,897</u>	<u>5,897</u>	<u>-</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	12,687	-	12,687	12,687	-
Total facilities acquisition and construction service	<u>12,687</u>	<u>-</u>	<u>12,687</u>	<u>12,687</u>	<u>-</u>
Total capital outlay	<u>\$ 18,584</u>	<u>\$ -</u>	<u>\$ 18,584</u>	<u>\$ 18,584</u>	<u>\$ -</u>
Total expenditures	<u>\$ 4,859,894</u>	<u>\$ -</u>	<u>\$ 4,859,894</u>	<u>\$ 5,063,963</u>	<u>\$ (204,069)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (273,121)	\$ -	\$ (273,121)	\$ 115,439	\$ 388,560
Fund balances, July 1	1,409,475	-	1,409,475	1,409,475	-
Fund balances, June 30	<u>\$ 1,136,354</u>	<u>\$ -</u>	<u>\$ 1,136,354</u>	<u>\$ 1,524,914</u>	<u>\$ 388,560</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (13,965)	\$ -	\$ (13,965)	\$ (13,965)	\$ -
Increase in capital reserve	-	40,000	40,000	40,000	-
Interest deposit to capital reserve	400	-	400	1,157	757
Interest earned on maintenance reserve	500	-	500	-	(500)
Budgeted fund balance	<u>(260,056)</u>	<u>(40,000)</u>	<u>(300,056)</u>	<u>88,247</u>	<u>388,303</u>
Total	<u>\$ (273,121)</u>	<u>\$ -</u>	<u>\$ (273,121)</u>	<u>\$ 115,439</u>	<u>\$ 388,560</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 198,769	
Excess surplus - current year				264,572	
Committed fund balance					
Capital reserve				365,931	
Maintenance reserve				293,312	
Assigned fund balance					
Designated for subsequent year's expenditures				19,500	
Year-end encumbrances				61,375	
Unassigned fund balance				<u>321,455</u>	
Fund balance per budgetary basis				1,524,914	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				<u>(73,564)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 1,451,350</u>	

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 133,624	\$ -	\$ 133,624	\$ 110,603	\$ (23,021)
Local sources	-	1,650	1,650	1,650	-
Total revenues	<u>\$ 133,624</u>	<u>\$ 1,650</u>	<u>\$ 135,274</u>	<u>\$ 112,253</u>	<u>\$ (23,021)</u>
Expenditures					
Instruction					
Salaries	\$ 3,465	\$ 20,972	\$ 24,437	\$ 24,437	\$ -
Employee benefits	-	1,604	1,604	1,604	-
General supplies	24,400	(22,576)	1,824	1,824	-
Total	<u>27,865</u>	<u>-</u>	<u>27,865</u>	<u>27,865</u>	<u>-</u>
Support services					
Salaries	18,374	-	18,374	18,374	-
Employee benefits	1,671	-	1,671	1,671	-
Purchased professional & technical services	57,483	96	57,579	57,579	-
Other purchased services	4,747	(96)	4,651	4,651	-
Supplies	23,484	1,650	25,134	2,113	23,021
Total	<u>105,759</u>	<u>1,650</u>	<u>107,409</u>	<u>84,388</u>	<u>23,021</u>
Total expenditures	<u>\$ 133,624</u>	<u>\$ 1,650</u>	<u>\$ 135,274</u>	<u>\$ 112,253</u>	<u>\$ 23,021</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison Schedule

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 5,179,402	\$ 112,253
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	73,496	-
State aid receivable current year	<u>(73,564)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 5,179,334</u>	<u>\$ 112,253</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 5,063,963</u>	<u>\$ 112,253</u>
Total expenditures (GAAP Basis)	<u>\$ 5,063,963</u>	<u>\$ 112,253</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	13,824,384	11,491,609	10,215,301	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 13,824,384	\$ 11,491,609	\$ 10,215,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 1,971,474	\$ 2,026,913	\$ 2,125,012	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Pension Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 169,458	\$ 118,251	\$ 90,958	\$ 130,604	\$ 72,123	\$ 6,828	\$ 7,411	\$ 6,492	\$ 166,981	\$ 156,123
Contributions in relation to the contractually required contribution	(169,458)	(118,251)	(90,958)	(130,604)	(72,123)	(6,828)	(7,411)	(6,492)	(166,981)	(156,123)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 2,081,248	\$ 1,971,474	\$ 2,026,913	\$ 2,125,012	\$ 2,025,405	\$ 1,947,740	\$ 2,260,240	\$ 2,181,652	\$ 2,148,810	\$ 2,012,680
Contributions as a percentage of covered employee payroll	8.14%	6.00%	4.49%	6.15%	3.56%	0.35%	0.33%	0.30%	7.77%	7.76%

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - percentage	N/A	0.6317667900%	0.6727313200%	0.7231383800%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 1,706,867	\$ 1,259,537	\$ 1,382,061	N/A	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	505,671	485,918	488,534	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	337.54%	259.21%	282.90%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Pension Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 65,371	\$ 55,459	\$ 54,487	\$ 55,064	\$ 56,040	\$ 53,361	\$ 47,008	\$ 40,294	\$ 29,995	\$ 16,277
Contributions in relation to the contractually required contribution	(65,371)	(55,459)	(54,487)	(55,064)	(56,040)	(53,361)	(47,008)	(40,294)	(29,995)	(16,277)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 564,298	\$ 505,671	\$ 485,918	\$ 488,534	\$ 471,394	\$ 480,265	\$ 504,177	\$ 500,196	\$ 522,243	\$ 470,059
Contributions as a percentage of covered employee payroll	11.58%	10.97%	11.21%	11.27%	11.89%	11.11%	9.32%	8.06%	5.74%	3.46%

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2016

Note 1 - Special funding situation - TPAF

The participating employer allocations included in the Supplemental Schedule of Employer Special Funding Allocations and the Supplemental Schedule of Special Funding amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

The special revenue fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	Small, Rural School Achievement	NCLB Title IA	NCLB Title IIA	IDEA Basic	IDEA Preschool	Local Grants	Total
Revenues							
Federal sources	\$ 24,863	\$ 19,780	\$ 7,230	\$ 56,658	\$ 2,072	\$ -	\$ 110,603
Local sources	-	-	-	-	-	1,650	1,650
Total revenues	\$ 24,863	\$ 19,780	\$ 7,230	\$ 56,658	\$ 2,072	\$ 1,650	\$ 112,253
Expenditures							
Instruction							
Salaries	\$ 20,972	\$ -	\$ 3,465	\$ -	\$ -	\$ -	\$ 24,437
Employee benefits	1,604	-	-	-	-	-	1,604
General supplies	1,824	-	-	-	-	-	1,824
Total	24,400	-	3,465	-	-	-	27,865
Support services							
Salaries	-	18,374			-	-	18,374
Employee benefits	-	1,406	265	-	-	-	1,671
Purchased professional and technical services	-	-	3,500	52,007	2,072	-	57,579
Other purchased services	-	-	-	4,651	-	-	4,651
Supplies	463	-	-	-	-	1,650	2,113
Total	463	19,780	3,765	56,658	2,072	1,650	84,388
Total expenditures	\$ 24,863	\$ 19,780	\$ 7,230	\$ 56,658	\$ 2,072	\$ 1,650	\$ 112,253

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2016

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/16
			Prior Years	Current Year	
Boiler and window replacement	9/13/10	\$ 585,005	\$ 585,005	\$ -	\$ -
		<u>\$ 585,005</u>	<u>\$ 585,005</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

Revenues and other financing sources	\$	-
Expenditures and other financing sources		-
		<hr/>
Excess (deficiency) of revenues and other financing sources Over (under) expenditures and other financing uses		-
Net position - beginning		40,975
		<hr/>
Net position - ending	\$	<u>40,975</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Roof Replacement Project
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Operating transfer - capital reserve	\$ 247,993	\$ -	\$ 247,993	\$ 247,993
Operating transfer - capital outlay	143,987	-	143,987	143,987
State source - School development authority grant	234,000	-	234,000	234,000
Total revenues	<u>625,980</u>	<u>-</u>	<u>625,980</u>	<u>625,980</u>
Expenditures and other financing uses				
Purchased professional services	55,181	-	55,181	55,181
Construction services	529,218	-	529,218	529,218
Other objects	606	-	606	606
Total expenditures	<u>585,005</u>	<u>-</u>	<u>585,005</u>	<u>585,005</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 40,975</u>	<u>\$ -</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>

Additional Project Information

Project number	1620-050-10-1001
Grant date	9/13/2010
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 653,300
Additional authorized cost	-
Revised authorized cost	\$ 653,300
Percentage completion	93.45%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 16,242	\$ 20,966	\$ 37,208
Accounts receivable	-	9,051	9,051
Receivables from other governments			
State	102	-	102
Federal	2,270	-	2,270
Inventory	2,924	-	2,924
Total current assets	21,538	30,017	51,555
Noncurrent assets			
Capital assets	30,019	-	30,019
Less: accumulated depreciation	28,013	-	28,013
Total noncurrent assets	2,006	-	2,006
Total assets	23,544	30,017	53,561
Liabilities			
Current liabilities			
Unearned revenues - commodities	1,160	-	1,160
Unearned revenues - prepaid sales	1,260	-	1,260
Accounts payable	364	-	364
Total liabilities	2,784	-	2,784
Net position			
Net investment in capital assets	2,006	-	2,006
Unrestricted	18,754	30,017	48,771
Total net position	\$ 20,760	\$ 30,017	\$ 50,777

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 34,818	\$ -	\$ 34,818
Daily sales - non-reimbursable programs	18,656	-	18,656
Fees for services	-	57,240	57,240
Total operating revenues	<u>53,474</u>	<u>57,240</u>	<u>110,714</u>
Operating expenses			
Cost of sales - reimbursable programs	23,093	-	23,093
Cost of sales - non-reimbursable programs	12,373	-	12,373
Salaries	19,469	43,887	63,356
Support services - employee benefits	3,011	3,635	6,646
Purchased professional/technical services	1,798	-	1,798
Purchased property services	351	-	351
Other purchased services			
Insurance	2,135	-	2,135
Management fee	7,315	-	7,315
Office Expenses	-	395	395
Supplies and materials	4,146	1,060	5,206
Depreciation	461	-	461
Miscellaneous expenditures	2,486	36	2,522
Total operating expenses	<u>76,638</u>	<u>49,013</u>	<u>125,651</u>
Operating income (loss)	<u>(23,164)</u>	<u>8,227</u>	<u>(14,937)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	779	-	779
Federal sources			
National school lunch program			
Cash assistance	17,733	-	17,733
Non-cash assistance (commodities)	6,549	-	6,549
Other sources	1,182	-	1,182
Interest earned on investments	59	52	111
Total non-operating revenues (expenses)	<u>26,302</u>	<u>52</u>	<u>26,354</u>
Change in net position	3,138	8,279	11,417
Net position, beginning	<u>17,622</u>	<u>21,738</u>	<u>39,360</u>
Net position, ending	<u>\$ 20,760</u>	<u>\$ 30,017</u>	<u>\$ 50,777</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 53,588	\$ 56,628	\$ 110,216
Payments to Food Service Management Co.	(66,229)	(47,522)	(113,751)
Payments to vendors (net)	(3,138)	(1,490)	(4,628)
Net cash provided by operating activities	<u>(15,779)</u>	<u>7,616</u>	<u>(8,163)</u>
Cash flows from noncapital financing activities			
State sources	739	-	739
Federal sources	16,790	-	16,790
Miscellaneous	1,182	-	1,182
Net cash provided by (used for) non capital financing activities	<u>18,711</u>	<u>-</u>	<u>18,711</u>
Cash flows from investing activities			
Interest on investments	59	52	111
Net increase in cash and cash equivalents	2,991	7,668	10,659
Cash and cash equivalents, July 1	<u>13,251</u>	<u>13,298</u>	<u>26,549</u>
Cash and cash equivalents, June 30	<u>\$ 16,242</u>	<u>\$ 20,966</u>	<u>\$ 37,208</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (23,164)	\$ 8,227	\$ (14,937)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	461	-	461
Federal food donation program	6,549	-	6,549
(Increase) decrease in accounts receivable	-	(611)	(611)
Increase (decrease) in accounts payable	364	-	364
(Increase) decrease in inventory	(739)	-	(739)
Increase (decrease) in unearned revenue	750	-	750
Net cash provided by (used for) operating activities	<u>\$ (15,779)</u>	<u>\$ 7,616</u>	<u>\$ (8,163)</u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

Fiduciary funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Schedule of Net Position in Fiduciary Funds
June 30, 2016

	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets			
Cash and cash equivalents	\$ 5,408	\$ 153,909	\$ 159,317
Accounts receivable	-	16,010	16,010
Total assets	\$ 5,408	\$ 169,919	\$ 175,327
Liabilities			
Due to other funds	\$ -	\$ 316	\$ 316
Due to student groups	5,408	-	5,408
Summer pay	-	146,357	146,357
FSA Section 125 Plan	-	9,806	9,806
Payroll deductions and withholdings	-	12,656	12,656
Net payroll	-	784	784
Total liabilities	5,408	169,919	175,327
Net position			
Held in trust for unemployment claims & other purposes	\$ -	\$ -	\$ -

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Assets				
Cash and cash equivalents	\$ 8,213	\$ 13,612	\$ 16,417	\$ 5,408
Total assets	\$ 8,213	\$ 13,612	\$ 16,417	\$ 5,408
Liabilities				
Due to other funds	\$ 364	\$ -	\$ 364	\$ -
Due to student groups	7,849	13,612	16,053	5,408
Total liabilities	\$ 8,213	\$ 13,612	\$ 16,417	\$ 5,408

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Assets				
Cash and cash equivalents	\$ 179,293	\$ 3,615,561	\$ 3,640,945	\$ 153,909
Accounts receivable	-	16,010	-	16,010
Total assets	<u>\$ 179,293</u>	<u>\$ 3,631,571</u>	<u>\$ 3,640,945</u>	<u>\$ 169,919</u>
Liabilities				
Due to other funds	\$ -	\$ 316	\$ -	\$ 316
Summer pay	135,467	146,493	135,603	146,357
FSA Section 125 Plan	14,285	19,637	24,116	9,806
Payroll deductions and withholdings	29,091	1,616,170	1,632,605	12,656
Net payroll	450	1,848,955	1,848,621	784
Total liabilities	<u>\$ 179,293</u>	<u>\$ 3,631,571</u>	<u>\$ 3,640,945</u>	<u>\$ 169,919</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2015	Issued	Retired	Balance 6/30/2016
			Date	Amount					
Refunding school bonds of 2010	2/15/10	\$2,045,000	2/15/17	\$ 185,000	5.00%	\$ -	\$ -	\$ -	\$ -
			2/15/18	185,000	5.00%	-	-	-	-
			2/15/19	185,000	5.00%	-	-	-	-
			2/15/20	185,000	5.00%	-	-	-	-
			2/15/21	185,000	5.00%	1,115,000	-	190,000	925,000
						<u>\$ 1,115,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 925,000</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 239,213	\$ -	\$ 239,213	\$ 239,213	\$ -
Total revenues	<u>239,213</u>	<u>-</u>	<u>239,213</u>	<u>239,213</u>	<u>-</u>
EXPENDITURES					
Regular debt service					
Redemption of principal	190,000	-	190,000	190,000	-
Interest	49,213	-	49,213	49,213	-
Total expenditures	<u>239,213</u>	<u>-</u>	<u>239,213</u>	<u>239,213</u>	<u>-</u>
Excess (deficiency) of revenues Over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government activities										
Net investment in capital assets	\$ 1,438,150	\$ 1,467,982	\$ 1,518,088	\$ 1,545,240	\$ 1,999,232	\$ 2,436,701	\$ 2,532,279	\$ 2,625,277	\$ 2,736,966	\$ 2,742,021
Restricted	8,788	8,546	251,551	301,661	675,438	470,166	591,655	565,175	659,060	700,218
Unrestricted	95,335	80,273	110,718	349,158	330,829	157,214	262,364	(988,453)	(845,665)	(823,624)
Total governmental activities	<u>\$ 1,542,273</u>	<u>\$ 1,556,801</u>	<u>\$ 1,880,357</u>	<u>\$ 2,196,059</u>	<u>\$ 3,005,499</u>	<u>\$ 3,064,081</u>	<u>\$ 3,386,298</u>	<u>\$ 2,201,999</u>	<u>\$ 2,550,361</u>	<u>\$ 2,618,615</u>
Business-type activities										
Net investment in capital assets	\$ 2,104	\$ 1,242	\$ 1,721	\$ 1,530	\$ 4,313	\$ 3,852	\$ 3,390	\$ 2,929	\$ 2,467	\$ 2,006
Unrestricted	12,752	3,219	16,759	25,414	18,243	13,801	28,850	46,333	36,893	48,771
Total business-type activities	<u>\$ 14,856</u>	<u>\$ 4,461</u>	<u>\$ 18,480</u>	<u>\$ 26,944</u>	<u>\$ 22,556</u>	<u>\$ 17,653</u>	<u>\$ 32,240</u>	<u>\$ 49,262</u>	<u>\$ 39,360</u>	<u>\$ 50,777</u>
District-wide										
Net investment in capital assets	\$ 1,440,254	\$ 1,469,224	\$ 1,519,809	\$ 1,546,770	\$ 2,003,545	\$ 2,440,553	\$ 2,535,669	\$ 2,628,206	\$ 2,739,433	\$ 2,744,027
Restricted	8,788	8,546	251,551	301,661	675,438	470,166	591,655	565,175	659,060	700,218
Unrestricted	108,087	83,492	127,477	374,572	349,072	171,015	291,214	(942,120)	(808,772)	(774,853)
Total district-wide	<u>\$ 1,557,129</u>	<u>\$ 1,561,262</u>	<u>\$ 1,898,837</u>	<u>\$ 2,223,003</u>	<u>\$ 3,028,055</u>	<u>\$ 3,081,734</u>	<u>\$ 3,418,538</u>	<u>\$ 2,251,261</u>	<u>\$ 2,589,721</u>	<u>\$ 2,669,392</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,409,390	\$ 2,487,167	\$ 2,427,118	\$ 2,219,596	\$ 2,135,097	\$ 2,266,263	\$ 2,262,741	\$ 2,065,010	\$ 2,605,769	\$ 2,427,501
Special education	455,683	452,966	321,046	503,788	642,525	947,596	810,341	935,748	846,207	1,028,105
Other instruction	264,954	268,194	268,764	304,343	274,074	17,715	23,605	37,360	45,694	55,192
Support services										
Tuition	93,089	118,303	122,852	128,310	83,885	35,000	64,161	70,914	5,143	-
Student & instruction related services	637,971	630,649	674,266	665,251	650,921	932,188	993,358	920,384	1,102,115	1,386,865
General & business administrative services	363,179	387,243	447,549	517,578	447,691	485,603	313,913	444,585	473,232	503,664
School administration	83,374	68,504	47,067	49,669	69,281	52,423	134,180	53,923	53,663	112,354
Plant operations & maintenance	384,422	481,864	415,028	468,117	383,317	436,339	412,952	463,619	397,781	559,508
Pupil transportation	199,227	276,489	277,866	285,642	170,156	143,278	161,812	393,661	164,847	182,827
Special schools	20,568	21,206	14,281	17,061	-	-	-	-	-	-
Transfer to charter schools	-	-	-	-	8,483	-	-	2,686	-	-
Interest on long-term debt	119,729	114,160	108,141	79,236	76,733	69,696	75,850	70,191	56,099	50,635
Total governmental activities expenses	<u>5,031,586</u>	<u>5,306,745</u>	<u>5,123,978</u>	<u>5,238,591</u>	<u>4,942,163</u>	<u>5,386,101</u>	<u>5,252,913</u>	<u>5,458,081</u>	<u>5,750,550</u>	<u>6,306,651</u>
Business-type activities										
Food services	109,798	84,075	91,343	91,675	89,517	78,761	76,368	75,410	75,464	76,638
Child care	88,967	111,573	88,799	83,277	65,004	30,347	36,371	34,508	55,316	49,013
Total business-type activities	<u>198,765</u>	<u>195,648</u>	<u>180,142</u>	<u>174,952</u>	<u>154,521</u>	<u>109,108</u>	<u>112,739</u>	<u>109,918</u>	<u>130,780</u>	<u>125,651</u>
Total district expenses	<u>\$ 5,230,351</u>	<u>\$ 5,502,393</u>	<u>\$ 5,304,120</u>	<u>\$ 5,413,543</u>	<u>\$ 5,096,684</u>	<u>\$ 5,495,209</u>	<u>\$ 5,365,652</u>	<u>\$ 5,567,999</u>	<u>\$ 5,881,330</u>	<u>\$ 6,432,302</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program revenues										
Governmental activities										
Charges for services	\$ 138,083	\$ 119,317	\$ 123,529	\$ 100,230	\$ 100,933	\$ 73,052	\$ 73,419	\$ 251,461	\$ 62,993	\$ 57,900
Capital grants & contributions	-	-	-	-	-	-	-	(27,320)	-	-
Operating grants & contributions	192,685	175,318	135,132	158,022	166,884	71,083	117,978	105,907	108,337	112,253
Total governmental activities program revenues	<u>330,768</u>	<u>294,635</u>	<u>258,661</u>	<u>258,252</u>	<u>267,817</u>	<u>144,135</u>	<u>191,397</u>	<u>330,048</u>	<u>171,330</u>	<u>170,153</u>
Business-type activities										
Charges for services										
Food service	73,364	66,313	69,869	71,210	61,379	59,984	58,732	50,206	49,439	53,474
Child care	84,999	100,492	100,432	86,138	59,164	24,799	44,277	53,682	45,648	57,240
Operating grants & contributions	22,891	17,906	23,672	26,569	29,522	19,263	24,240	22,835	25,664	25,061
Total business - type activities program revenues	<u>181,254</u>	<u>184,711</u>	<u>193,973</u>	<u>183,917</u>	<u>150,065</u>	<u>104,046</u>	<u>127,249</u>	<u>126,723</u>	<u>120,751</u>	<u>135,775</u>
Total district-program revenues	<u>\$ 512,022</u>	<u>\$ 479,346</u>	<u>\$ 452,634</u>	<u>\$ 442,169</u>	<u>\$ 417,882</u>	<u>\$ 248,181</u>	<u>\$ 318,646</u>	<u>\$ 456,771</u>	<u>\$ 292,081</u>	<u>\$ 305,928</u>
Net (expense) revenues										
Governmental activities	\$ (4,700,818)	\$ (5,012,110)	\$ (4,865,317)	\$ (4,980,339)	\$ (4,674,346)	\$ (5,241,966)	\$ (5,061,516)	\$ (5,128,033)	\$ (5,579,220)	\$ (6,136,498)
Business - type activities	(17,511)	(10,937)	13,831	8,965	(4,456)	(5,062)	14,510	16,805	(10,029)	10,124
Total district-wide net expenses	<u>\$ (4,718,329)</u>	<u>\$ (5,023,047)</u>	<u>\$ (4,851,486)</u>	<u>\$ (4,971,374)</u>	<u>\$ (4,678,802)</u>	<u>\$ (5,247,028)</u>	<u>\$ (5,047,006)</u>	<u>\$ (5,111,228)</u>	<u>\$ (5,589,249)</u>	<u>\$ (6,126,374)</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 3,229,209	\$ 3,481,557	\$ 3,705,084	\$ 3,721,912	\$ 3,762,850	\$ 3,806,507	\$ 3,778,870	\$ 3,747,500	\$ 3,718,722	\$ 3,710,747
Taxes levied for debt service	241,754	246,092	250,504	254,204	257,454	231,657	248,163	249,463	244,238	239,213
Unrestricted grants & contributions	1,236,138	1,288,391	1,230,621	1,339,432	1,197,408	1,249,222	1,342,103	1,256,484	1,948,839	2,243,633
Capital grant - unallocated	-	-	-	-	261,320	-	-	-	-	-
Investment earnings	11,751	9,200	2,455	3,056	2,682	9,013	3,746	4,869	6,034	6,339
Miscellaneous income	291	1,398	209	447	2,072	4,149	2,558	12,992	9,749	4,820
Special item - payment to refunding bond agent	-	-	-	(23,010)	-	-	-	-	-	-
Special item-insurance claim proceeds for storm damage	-	-	-	-	-	-	8,293	-	-	-
Operating transfer	(21,572)	-	-	-	-	-	-	-	-	-
Contracts & accounts payable adjustment	7,200	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>4,704,771</u>	<u>5,026,638</u>	<u>5,188,873</u>	<u>5,296,041</u>	<u>5,483,786</u>	<u>5,300,548</u>	<u>5,383,733</u>	<u>5,271,308</u>	<u>5,927,582</u>	<u>6,204,752</u>
Business-type activities										
Investment earnings	462	542	188	111	68	159	77	95	127	111
Miscellaneous income	-	-	-	-	-	-	-	122	-	1,182
Prior year refunds	-	-	-	(612)	-	-	-	-	-	-
Transfers	21,572	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>22,034</u>	<u>542</u>	<u>188</u>	<u>(501)</u>	<u>68</u>	<u>159</u>	<u>77</u>	<u>217</u>	<u>127</u>	<u>1,293</u>
Total district-wide	<u>\$ 4,726,805</u>	<u>\$ 5,027,180</u>	<u>\$ 5,189,061</u>	<u>\$ 5,295,540</u>	<u>\$ 5,483,854</u>	<u>\$ 5,300,707</u>	<u>\$ 5,383,810</u>	<u>\$ 5,271,525</u>	<u>\$ 5,927,709</u>	<u>\$ 6,206,045</u>
Change in net position										
Governmental activities	\$ 3,953	\$ 14,528	\$ 323,556	\$ 315,702	\$ 809,440	\$ 58,582	\$ 322,217	\$ 143,275	\$ 348,362	\$ 68,254
Business-type activities	4,523	(10,395)	14,019	8,464	(4,388)	(4,903)	14,587	17,022	(9,902)	11,417
Total district	<u>\$ 8,476</u>	<u>\$ 4,133</u>	<u>\$ 337,575</u>	<u>\$ 324,166</u>	<u>\$ 805,052</u>	<u>\$ 53,679</u>	<u>\$ 336,804</u>	<u>\$ 160,297</u>	<u>\$ 338,460</u>	<u>\$ 79,671</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted	\$ 61,229	\$ -	\$ 23,290	\$ 23,031	\$ 64,872	\$ 134,682	\$ 294,618	\$ 411,833	\$ 408,825	\$ 463,341
Committed	1,412	1,432	251,437	301,661	253,935	401,817	523,360	524,200	618,086	659,243
Assigned	90,538	29,610	33,217	145,451	17,541	8,618	31,928	8,481	63,966	80,875
Unassigned	123,486	221,989	249,977	309,885	464,356	280,157	179,972	176,026	245,103	247,891
Total general fund	<u>\$ 276,665</u>	<u>\$ 253,031</u>	<u>\$ 557,921</u>	<u>\$ 780,028</u>	<u>\$ 800,704</u>	<u>\$ 825,274</u>	<u>\$ 1,029,878</u>	<u>\$ 1,120,540</u>	<u>\$ 1,335,980</u>	<u>\$ 1,451,350</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 7,114	\$ 7,114	\$ 114	\$ -	\$ 406,398	\$ 38,349	\$ 68,295	\$ 40,975	\$ 40,975	\$ 40,975
Assigned, reported in										
Debt service fund	262	-	-	-	15,105	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,376</u>	<u>\$ 7,114</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 421,503</u>	<u>\$ 38,349</u>	<u>\$ 68,295</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>	<u>\$ 40,975</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 3,470,963	\$ 3,727,649	\$ 3,955,588	\$ 3,976,116	\$ 4,020,304	\$ 4,038,164	\$ 4,027,033	\$ 3,996,963	\$ 3,962,960	\$ 3,949,960
Tuition charges	114,525	95,403	98,658	75,359	76,676	54,399	58,492	52,056	48,066	42,973
Interest earnings	11,751	9,200	2,455	3,056	2,682	9,013	3,746	4,869	6,034	6,339
Rents and royalties	-	-	-	-	-	-	-	-	-	14,927
Miscellaneous	31,049	26,312	25,080	30,318	31,329	27,802	22,005	19,444	28,256	6,470
State sources	1,237,015	1,290,446	1,230,621	1,238,336	1,197,408	1,220,477	1,342,103	1,256,484	1,330,483	1,399,528
State sources - capital projects	-	-	-	-	261,320	-	-	(27,320)	-	-
Federal sources	191,808	172,263	135,132	254,118	161,884	94,828	113,458	105,441	104,757	110,603
Total revenues	5,057,111	5,321,273	5,447,534	5,577,303	5,751,603	5,444,683	5,566,837	5,407,937	5,480,556	5,530,800
Expenditures										
Instruction										
Regular instruction	1,593,485	1,627,135	1,633,579	1,438,717	1,388,873	1,529,646	1,468,616	1,364,605	1,423,145	1,387,021
Special education instruction	264,361	264,553	222,233	362,337	395,302	357,787	292,919	360,076	367,726	393,807
Other special instruction	167,200	169,495	176,692	178,187	154,290	228,420	218,056	249,800	118,127	106,585
Other instruction	9,379	8,266	8,566	12,805	24,063	17,183	22,870	24,472	32,910	52,032
Support services										
Tuition	93,089	118,303	122,852	128,310	83,885	35,000	64,161	70,914	5,143	-
Student & inst related services	401,542	396,519	428,555	409,758	390,354	601,313	624,335	613,522	674,630	697,538
General administration	172,858	171,078	187,281	211,684	174,830	170,166	93,847	156,276	165,202	162,141
School administration services	66,478	43,759	44,140	48,112	46,259	34,411	92,847	35,540	37,415	37,952
Central services	93,828	109,611	117,383	119,384	127,848	134,113	123,041	126,601	130,146	134,589
Administrative information technology	-	-	-	-	19,432	12,342	13,837	10,468	11,379	14,942
Plant operations & maintenance	335,131	427,941	364,843	411,902	310,564	350,209	350,988	385,790	339,113	341,612
Pupil transportation	172,870	255,096	272,961	279,341	161,879	136,791	162,371	201,973	161,189	162,275
Employee benefits	792,156	870,287	869,111	1,012,320	1,055,879	1,135,216	1,002,812	978,114	959,557	1,030,470
On-behalf TPAF pension & Social Security contribution	416,086	440,248	294,978	304,388	295,451	365,531	455,610	392,112	453,115	524,415
Special schools	20,568	21,206	13,834	16,526	-	-	-	-	-	-
Transfer to charter schools	-	-	-	-	8,483	-	-	2,686	-	-
Capital outlay	4,672	-	-	9,199	-	-	5,388	3,589	33,745	18,584
Capital projects	86,980	-	7,000	114	246,902	338,049	54	-	-	-
Special revenue funds	192,685	175,318	135,132	158,022	166,884	71,083	117,978	105,907	108,337	112,253
Debt service										
Principal	120,000	130,000	140,000	150,000	185,000	180,000	185,000	190,000	190,000	190,000
Interest & other charges	121,754	116,354	110,504	104,204	73,246	76,007	75,850	72,150	54,238	49,213
Total expenditures	5,125,122	5,345,169	5,149,644	5,355,310	5,309,424	5,773,267	5,370,580	5,344,595	5,265,117	5,415,429

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess (deficiency) of revenues over (under) expenditures	\$ (68,011)	\$ (23,896)	\$ 297,890	\$ 221,993	\$ 442,179	\$ (328,584)	\$ 196,257	\$ 63,342	\$ 215,439	\$ 115,371
Other financing sources (uses)										
Insurance claim proceeds from storm damage	-	-	-	-	-	-	8,293	-	-	-
Transfers in (out)	(21,572)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(21,572)	-	-	-	-	-	8,293	-	-	-
Net change in fund balances	\$ (89,583)	\$ (23,896)	\$ 297,890	\$ 221,993	\$ 442,179	\$ (328,584)	\$ 204,550	\$ 63,342	\$ 215,439	\$ 115,371
Debt service as a percentage of non-capital expenditures	5.05%	4.83%	5.12%	4.99%	5.38%	4.94%	5.11%	5.16%	4.90%	4.64%

Source: District records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Interest income	\$ 11,751	\$ 9,200	\$ 2,455	\$ 3,056	\$ 2,682	\$ 9,013	\$ 3,746	\$ 4,869	\$ 6,034	\$ 6,339
Tuition	114,525	95,403	98,658	75,359	76,676	54,399	58,492	52,056	48,066	42,973
Building use fees	23,558	23,914	24,871	24,871	24,258	18,653	14,927	14,927	14,927	14,927
Prior year refunds	51	325	77	-	2,071	4,149	887	444	4,510	879
Miscellaneous	15	5	-	447	-	-	-	1,024	-	425
Donations	225	293	132	-	-	-	510	-	377	413
Old outstanding checks canceled	-	-	-	-	-	-	-	-	3,284	403
Accounts payable cancelled	7,200	-	-	-	-	-	-	-	-	-
Asbestos litigation	-	775	-	-	-	-	-	-	-	-
Rebate	-	-	-	-	-	-	-	-	-	2,700
Current year refunds	-	-	-	-	-	-	1,161	2,583	1,578	-
Annual totals	\$ 157,325	\$ 129,915	\$ 126,193	\$ 103,733	\$ 105,687	\$ 86,214	\$ 79,723	\$ 75,903	\$ 78,776	\$ 69,059

Source: District records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Vacant land	\$ 6,937,700	\$ 6,012,600	\$ 6,267,600	\$ 5,875,000	\$ 6,258,200	\$ 4,438,400	\$ 4,130,400	\$ 4,128,700	\$ 4,181,700	\$ 4,403,700
Residential	288,425,300	292,976,100	294,741,100	294,234,600	291,200,700	292,209,000	286,559,100	287,884,400	289,296,400	288,535,000
Farm regular	47,296,000	48,390,200	48,434,700	51,517,400	53,529,700	53,550,700	53,823,900	52,492,300	51,344,000	52,484,600
Q farm	5,121,825	5,110,225	5,055,805	5,093,305	5,029,405	5,053,215	5,102,815	5,039,395	4,894,295	5,050,195
Commercial	32,616,800	32,985,700	33,199,300	33,139,800	32,839,800	32,503,800	32,526,600	32,514,600	32,364,200	32,273,800
Industrial	28,866,100	31,274,600	31,199,800	31,199,800	31,024,800	30,969,000	30,969,000	30,829,000	30,829,000	30,829,000
Apartment	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300	306,300
Total assessed value	409,570,025	417,055,725	419,204,605	421,366,205	420,188,905	419,030,415	413,418,115	413,194,695	413,215,895	413,882,595
Public utilities (a)	966,940	949,522	969,682	1,010,638	942,686	978,714	914,996	692,328	463,886	440,526
Net valuation taxable	\$ 410,536,965	\$ 418,005,247	\$ 420,174,287	\$ 422,376,843	\$ 421,131,591	\$ 420,009,129	\$ 414,333,111	\$ 413,887,023	\$ 413,679,781	\$ 414,323,121
Estimated actual county equalized value	\$ 459,604,905	\$ 480,024,399	\$ 470,783,514	\$ 470,614,867	\$ 442,040,087	\$ 420,724,361	\$ 395,963,362	\$ 381,411,664	\$ 389,508,561	\$ 382,886,095
Percentage of net valuation to estimated actual equalized value	89.32%	87.08%	89.25%	89.75%	95.27%	99.83%	104.64%	108.51%	106.21%	108.21%
Total direct school tax rate (b)	\$ 0.91	\$ 0.96	\$ 0.94	\$ 0.95	\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.95	\$ 0.96

Source: Municipal tax assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipments of telephone and messenger system companies
- (b) Tax rates are per \$100

- * Revalued/Reassessed
- * Limited exemptions and abatements

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)			Municipality	County	
			Total Direct School Tax Rate					
2007	\$ 0.85	\$ 0.06	\$ 0.91	\$ 0.75	\$ 0.18	\$ 0.69	\$ 2.53	
2008	0.90	0.06	0.96	0.75	0.20	0.70	2.61	
2009	0.88	0.06	0.94	0.80	0.23	0.69	2.66	
2010	0.89	0.06	0.95	0.87	0.24	0.69	2.75	
2011	0.92	0.04	0.96	0.89	0.24	0.67	2.76	
2012	0.91	0.05	0.96	0.92	0.22	0.68	2.78	
2013	0.91	0.06	0.97	0.94	0.22	0.69	2.82	
2014	0.90	0.06	0.96	0.93	0.25	0.72	2.86	
2015	0.90	0.05	0.95	0.99	0.28	0.73	2.95	
2016	0.91	0.05	0.96	0.97	0.26	0.71	2.90	

Sources: Municipal tax collector

NOTE: NJSA 18A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

(a) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

(b) Rates for debt service are based on each year's requirements.

* Revalued/Reassessed

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago

	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Transcontinental Gas Pipeline	\$ 17,917,900	1	4.32%	\$ 17,917,000	1
Franklin Realty Group LLC	15,233,300	2	3.68%	12,824,800	2	-
ISE America	9,981,100	3	2.41%	9,961,000	3	2.43%
Viking Development Company, LLC	2,313,400	4	0.56%	-	-	0.00%
J.W.D. Farms, LLC	2,002,300	5	0.48%	-	-	0.00%
Elizabethtown Gas Company	1,451,700	6	0.35%	1,451,700	4	0.35%
Individual Property Owner	1,290,600	7	0.31%	-	-	-
Victaulic Reh, LLC	1,122,300	8	0.27%	-	-	-
Individual Property Owner	1,109,100	9	0.27%	-	-	-
Individual Property Owner	1,106,000	10	0.27%	-	-	-
Jimmy Lu LLC/Pohat PRK Homes LL	-	-	-	1,397,100	5	0.34%
Individual Property Owner	-	-	-	1,290,600	6	0.31%
Asbury Graphite Mills, Inc	-	-	-	1,200,000	7	0.29%
Apex Victaulic Co. of America	-	-	-	1,122,300	8	0.27%
Individual Property Owner	-	-	-	1,066,000	9	0.26%
Riverview Farms, LLC	-	-	-	977,700	10	0.24%
	<u>\$ 53,527,700</u>		<u>12.92%</u>	<u>\$ 49,208,200</u>		<u>8.86%</u>

Source: Municipal tax assessor

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2006	\$ 9,663,991	\$ 9,366,240	96.92%
2007	10,519,675	10,097,610	95.99%
2008	10,972,721	10,549,194	96.14%
2009	11,265,721	10,844,048	96.26%
2010	11,669,010	11,310,905	96.93%
2011	11,644,684	11,332,972	97.32%
2012	11,698,606	11,339,935	96.93%
2013	11,685,755	11,321,279	96.88%
2014	11,844,159	11,464,518	96.79%
2015	12,235,885	11,884,046	97.12%

Source: District records including the Certificate and Report of School Taxes (A4F form)

- (a) School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities			Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2007	\$ 2,504,000	\$ -	\$ -	\$ -	\$ -	\$ 2,504,000	1.98%	\$ 795
2008	2,374,000	-	-	-	-	2,374,000	1.81%	757
2009	2,234,000	-	-	-	-	2,234,000	1.63%	714
2010	2,045,000	-	-	-	-	2,045,000	1.54%	655
2011	1,860,000	-	-	-	-	1,860,000	1.36%	586
2012	1,680,000	-	-	-	-	1,680,000	1.18%	532
2013	1,495,000	-	-	-	-	1,495,000	1.03%	477
2014	1,305,000	-	-	-	-	1,305,000	0.90%	419
2015	1,115,000	-	-	-	-	1,115,000	0.74%	359
2016	925,000	-	-	-	-	925,000	N/A	299

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

- (a) See Exhibit J-14 for personal income and population data
These ratios are calculated using personal income and population for the prior calendar year
- (b) Includes Early Retirement Incentive Plan (ERIP) refunding

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2007	\$ 2,504,000	\$ -	\$ 2,504,000	0.61%	\$ 795
2008	2,374,000	-	2,374,000	0.57%	757
2009	2,234,000	-	2,234,000	0.53%	714
2010	2,045,000	-	2,045,000	0.48%	655
2011	1,860,000	-	1,860,000	0.44%	586
2012	1,680,000	-	1,680,000	0.40%	532
2013	1,495,000	-	1,495,000	0.36%	477
2014	1,305,000	-	1,305,000	0.32%	419
2015	1,115,000	-	1,115,000	0.27%	359
2016	925,000	-	925,000	0.22%	299

NOTES: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

- (a) See Exhibit NJ J-6 for property tax data
- (b) Population data can be found in Exhibit J-21

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 2,491,535	100.00%	\$ 2,491,535
Regional High School	20,144,000	17.06%	3,436,140
County general obligation debt	10,062,516	3.60%	<u>361,753</u>
Subtotal, overlapping debt			6,289,428
School district direct debt			<u>925,000</u>
Total direct and overlapping debt			<u><u>\$ 7,214,428</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the county Board of Taxation. Debt outstanding data provided by each governmental unit.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the municipality. This process recognizes that when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping payment.

- (a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal debt margin calculation for fiscal year 2016

	Equalized valuation basis
	2015 \$ 381,829,509
	2014 386,850,197
	2013 380,925,196
	\$1,149,604,902
Average equalized valuation of taxable property	\$ 383,201,634
Debt limit (2.5% of average equalization value) (a)	\$ 9,580,041
Total net debt applicable to limit	925,000
Legal debt margin	\$ 8,655,041

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 11,085,593	\$ 10,530,017	\$ 10,018,674	\$ 9,734,889	\$ 9,580,041
Total net debt applicable	1,680,000	1,495,000	1,305,000	1,115,000	925,000
Legal debt margin	\$ 9,405,593	\$ 9,035,017	\$ 8,713,674	\$ 8,619,889	\$ 8,655,041
Total net debt applicable to the limit as a percentage of debt limit	15.15%	14.20%	13.03%	11.45%	9.66%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 10,248,551	\$ 11,068,555	\$ 11,586,640	\$ 11,705,894	\$ 11,472,133
Total net debt applicable	2,504,000	2,374,000	2,234,000	2,045,000	1,860,000
Legal debt margin	\$ 7,744,551	\$ 8,694,555	\$ 9,352,640	\$ 9,660,894	\$ 9,612,133
Total net debt applicable to the limit as a percentage of debt limit	24.43%	21.45%	19.28%	17.47%	16.21%

Source: Equalized Valuation Bases were obtained from the Annual Report of the State of New Jersey Department of Treasury, Division of Taxation.

(a) Limit Set by NJSA 18A:24-19

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2007	3,149	\$ 126,520,522	\$ 40,178	2.9%
2008	3,135	131,425,470	41,922	3.9%
2009	3,128	137,184,696	43,857	6.9%
2010	3,120	133,202,160	42,693	7.2%
2011	3,176	137,161,912	43,187	6.6%
2012	3,160	141,937,720	44,917	6.4%
2013	3,137	144,841,564	46,172	7.4%
2014	3,111	144,645,945	46,495	6.7%
2015	3,109	N/A	N/A	5.1%
2016	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Prinicpal Employers
Current Year and Nine Years Ago**

2016

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2007

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function/Program										
Instruction										
Regular	39.0	42.2	41.2	41.4	34.8	34.8	36.4	36.8	36.8	35.8
Special education	4.3	4.7	4.7	4.7	4.0	4.0	4.7	5.1	5.5	5.5
Support services										
General administration	1.5	2.0	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administration services	4.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administration services	1.8	2.0	2.0	3.0	1.5	1.5	1.0	1.0	1.0	1.0
Plant operations and maintenance	4.0	4.0	3.5	3.5	3.3	3.3	3.3	3.3	3.3	3.2
Pupil transportation	2.3	2.6	2.6	2.6	0.4	0.4	0.4	0.6	0.6	0.4
Other support services	1.0	1.0	1.0	1.0	1.0	1.5	2.0	2.0	3.0	5.1
Total	<u>57.9</u>	<u>60.5</u>	<u>58.5</u>	<u>59.2</u>	<u>48.0</u>	<u>48.5</u>	<u>50.8</u>	<u>51.8</u>	<u>53.2</u>	<u>54.0</u>

Source: District personnel records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	385	\$ 4,791,716	\$ 12,446	14.53%	35.1	1 to 10.97	394.7	374.4	-1.08%	94.86%
2008	348	5,098,815	14,652	17.72%	37.6	1 to 10.51	347.8	332.3	-11.88%	95.54%
2009	337	4,892,140	14,517	-0.92%	36.0	1 to 8.73	340.8	326.9	-2.01%	95.92%
2010	336	5,091,793	15,154	4.39%	26.4	1 to 11.51	318.0	302.9	-6.69%	95.25%
2011	304	4,804,276	15,804	4.29%	23.3	1 to 13.05	294.3	280.1	-7.45%	95.17%
2012	285	5,179,211	18,173	14.99%	23.6	1 to 12.08	287.2	275.1	-2.41%	95.79%
2013	269	5,104,288	18,975	4.42%	26.0	1 to 10.35	271.3	259.6	-5.54%	95.69%
2014	250	5,078,856	20,315	7.06%	28.0	1 to 8.93	250.9	241.5	-7.52%	96.25%
2015	230	4,987,134	21,683	6.73%	28.0	1 to 8.93	233.1	223.0	-7.09%	95.67%
2016	232	5,157,632	22,231	2.53%	28.0	1 to 8.30	227.8	216.9	-2.28%	95.22%

Source: District records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay
- (b) Teaching staff includes only full-time equivalents or certificated staff
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS)

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary (1960)										
Square feet	47,552	47,552	47,552	47,552	47,552	47,552	47,552	47,552	49,242	49,242
Capacity (students)	367.0	367.0	367.0	367.0	367.0	367.0	367.0	367.0	367.0	367.0
Enrollment	385.0	348.0	337.0	336.0	304.0	285.0	269.0	250.0	230.0	232.0

Number of Schools at June 30, 2016

Elementary 1

Source: District facilities office

N/A = Not available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2007	\$ 30,162	\$ 30,162
2008	50,707	50,707
2009	14,054	14,054
2010	27,437	27,437
2011	18,356	18,356
2012	71,227	71,227
2013	85,439	85,439
2014	111,544	111,544
2015	77,708	77,708
2016	<u>87,562</u>	<u>87,562</u>
 Total school facilities	 <u>\$ 574,196</u>	 <u>\$ 574,196</u>

* School facilities as defined under EFCFA.
(NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJ Schools Insurance Group		
Property - Blanket Building and Contents (Policy Limit)	\$ 400,000,000	\$ 1,000
Comprehensive General Liability (Policy Limit)	16,000,000	-
Automobile Liability (Policy Limit)	16,000,000	-
Employee Benefits (Policy Limit)	16,000,000	1,000
Flood (Policy Limit), All Other Flood Zones	75,000,000	10,000
Flood (Policy Limit), Special Flood Zones	75,000,000	500,000
Earthquake (Policy Limit)	50,000,000	-
 School Board Legal Liability - NJ Schools Insurance Group		
Directors and Officers Policy (Policy Limit)	16,000,000	5,000
 Public Employees' Faithful Performance - NJ Schools Insurance Group		
Treasurer of School Monies Bond	200,000	1,000
Business Administrators Bond	200,000	1,000
Blanket Bond	250,000	1,000
 Worker's Compensation - NJ Schools Insurance Group		
Bodily Injury by Accident	2,000,000	-
Bodily Injury by Disease	2,000,000	-
Bodily Injury by Disease	2,000,000	-

Source: District records

See independent auditors' report.



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Warren, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental Activities, the Business-type Activities, and the aggregate remaining fund information of the Franklin Township School District, County of Warren, the State of New Jersey, (the District), as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin Township School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 23, 2016
Flemington, New Jersey



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey
OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Warren, New Jersey

Report on Compliance for Each Major Federal Program and State Program

We have audited the Franklin Township School District's, (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the District's major federal and New Jersey programs for the year ended June 30, 2016. Franklin Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and New Jersey programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08. Those standards, the Uniform Guidance and OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Programs

In our opinion, the Franklin Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and New Jersey programs for the year ended June 30, 2016.

Report on Internal Control over Compliance


Management of the Franklin Township School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Franklin Township School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 23, 2016
Flemington, New Jersey

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2016

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/15	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2016				
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor		
U.S. Department of Education passed through State Department of Education Special Revenue Fund																	
NCLB Title I A	84.010A	S010S150030	NCLB-1620-15	\$ 12,611	07/01/14	06/30/15	\$ (6,537)	\$ -	\$ 6,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
NCLB Title I A	84.010A	S010S150030	NCLB-1620-16	17,385	07/01/15	06/30/16	-	-	17,385	19,780	-	-	(2,395)	-	-	-	
NCLB Title II A	84.367A	S367A150029	NCLB-1620-15	7,195	07/01/14	06/30/15	(6,725)	-	6,725	-	-	-	-	-	-	-	
NCLB Title II A	84.367A	S367A150029	NCLB-1620-16	19,780	07/01/15	06/30/16	-	-	-	7,230	-	-	(7,230)	-	-	-	
Rural education achievement program	84.358A	S358B150030	S358A-3563-13	26,067	07/01/13	09/30/14	(16,108)	-	16,108	-	-	-	-	-	-	-	
Rural education achievement program	84.358A	S358B150030	S358A-3563-14	24,400	07/01/14	09/30/15	-	-	24,400	24,400	-	-	-	-	-	-	
Rural education achievement program	84.358A	S358B150030	S358A-3750-16	23,484	07/01/15	09/30/16	-	-	463	463	-	-	-	-	-	-	
IDEA basic	84.027	H027A150100	IDEA-1620-15	56,844	07/01/14	06/30/15	(34,631)	-	34,631	-	-	-	-	-	-	-	
IDEA basic	84.027	H027A150100	IDEA-1620-16	56,658	07/01/15	06/30/16	-	-	50,799	56,658	-	-	(5,859)	-	-	-	
IDEA preschool	84.173	H173S150114	IDEA-1620-15	2,040	07/01/15	06/30/16	(948)	-	948	-	-	-	-	-	-	-	
IDEA preschool	84.173	H173S150114	IDEA-1620-16	2,072	07/01/15	06/30/16	-	-	2,072	2,072	-	-	-	-	-	-	
Total special revenue fund							<u>(64,949)</u>	<u>-</u>	<u>160,068</u>	<u>110,603</u>	<u>-</u>	<u>-</u>	<u>(15,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
U.S. Department of Agriculture passed through State Department of Agriculture Enterprise fund																	
Child nutrition center																	
National school lunch program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	7,910	07/01/14	06/30/15	524	-	-	524	-	-	-	-	-	-	
National school lunch program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	7,185	07/01/15	06/30/16	-	-	7,185	6,025	-	-	-	1,160	-	-	
National school lunch program cash assistance	10.555	16161NJ304N1099	N/A	16,283	07/01/14	06/30/15	(1,327)	-	1,327	-	-	-	-	-	-	-	
National school lunch program cash assistance	10.555	16161NJ304N1099	N/A	17,733	07/01/15	06/30/16	-	-	15,463	17,733	-	-	(2,270)	-	-	-	
Total enterprise fund							<u>(803)</u>	<u>-</u>	<u>23,975</u>	<u>24,282</u>	<u>-</u>	<u>-</u>	<u>(2,270)</u>	<u>1,160</u>	<u>-</u>	<u>-</u>	
Total Federal financial assistance							<u>\$ (65,752)</u>	<u>\$ -</u>	<u>\$ 184,043</u>	<u>\$ 134,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,754)</u>	<u>\$ 1,160</u>	<u>\$ -</u>	<u>\$ -</u>	

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2016

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2015		Cash Received	Budgetary Expenditure	Adjustments/Repayments	Balance June 30, 2016			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special Education categorical aid	16-495-034-5120-089	\$ 147,307	07/01/15	06/30/16	\$ -	\$ -	\$ 132,825	\$ 147,307	\$ -	\$ -	\$ -	\$ -	\$ (14,482)	\$ 147,307
Equalization aid	16-495-034-5120-078	557,245	07/01/15	06/30/16	-	-	502,463	557,245	-	-	-	-	(54,782)	557,245
Security aid	16-495-034-5120-084	4,013	07/01/15	06/30/16	-	-	3,618	4,013	-	-	-	-	(395)	4,013
Adjustment aid	16-495-034-5120-085	16,011	07/01/15	06/30/16	-	-	14,437	16,011	-	-	-	-	(1,574)	16,011
Transportation aid	16-495-034-5120-014	19,335	07/01/15	06/30/16	-	-	17,434	19,335	-	-	-	-	(1,901)	19,335
PARCC Readiness aid	16-495-034-5120-098	2,190	07/01/15	06/30/16	-	-	1,975	2,190	-	-	-	-	(215)	2,190
Per pupil growth aid	16-495-034-5120-097	2,190	07/01/15	06/30/16	-	-	1,975	2,190	-	-	-	-	(215)	2,190
Extraordinary aid	16-100-034-5120-473	126,456	07/01/15	06/30/16	-	-	-	126,456	-	(126,456)	-	-	-	126,456
Extraordinary aid	15-100-034-5120-473	126,805	07/01/14	06/30/15	(126,805)	-	126,805	-	-	-	-	-	-	126,805
Non-public transportation aid	16-495-034-5120-014	434	07/01/15	06/30/16	-	-	-	434	-	(434)	-	-	-	434
Non-public transportation aid	15-495-034-5120-014	527	07/01/14	06/30/15	(527)	-	527	-	-	-	-	-	-	527
On behalf TPAF pension contribution - Teachers' pension & annuity fund	16-495-034-5094-002	161,417	07/01/15	06/30/16	-	-	161,417	161,417	-	-	-	-	-	161,417
On behalf TPAF pension contribution - Non-contributory insurance	16-495-034-5094-004	8,041	07/01/15	06/30/16	-	-	8,041	8,041	-	-	-	-	-	8,041
On behalf TPAF pension contribution - Post retirement medical	16-495-034-5094-001	201,778	07/01/15	06/30/16	-	-	201,778	201,778	-	-	-	-	-	201,778
Reimbursed TPAF Social Security contribution	16-495-034-5094-003	153,179	07/01/15	06/30/16	-	-	138,148	153,179	-	(15,031)	-	-	-	153,179
Reimbursed TPAF Social Security contribution	15-495-034-5094-003	147,141	07/01/14	06/30/15	(14,764)	-	14,764	-	-	-	-	-	-	147,141
Total general fund					<u>(142,096)</u>	<u>-</u>	<u>1,326,207</u>	<u>1,399,596</u>	<u>-</u>	<u>(141,921)</u>	<u>-</u>	<u>-</u>	<u>(73,564)</u>	<u>1,674,069</u>
State Department of Agriculture														
Enterprise Fund														
State school lunch program	16-100-010-3350-023	779	07/01/15	06/30/16	-	-	677	779	-	(102)	-	-	-	779
State school lunch program	15-100-010-3350-023	763	07/01/14	06/30/15	(62)	-	62	-	-	-	-	-	-	763
Total enterprise fund					<u>(62)</u>	<u>-</u>	<u>739</u>	<u>779</u>	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,542</u>
Total State financial assistance					<u>\$ (142,158)</u>	<u>\$ -</u>	<u>\$ 1,326,946</u>	<u>1,400,375</u>	<u>\$ -</u>	<u>\$ (142,023)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,564)</u>	<u>\$ 1,675,611</u>
Less: On behalf TPAF Pension system contributions								<u>(371,236)</u>						
Total for State financial assistance - major program determination								<u>\$ 1,029,139</u>						

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

Note 1 - General

The accompanying Schedules of Financial Assistance present the activity of all Federal and State financial assistance programs of the Board of Education, Franklin Township School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from Federal agencies, as well as federal financial assistance passed through other government agencies, is included on the Schedule of Federal Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of financial statements

The financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules are presented for the General Fund and Special Revenue Fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying Schedules on the Modified Accrual Basis with the exception of the revenue recognition of the last State aid payment in the current budget year, which is mandated pursuant to PL 2003, Ch. 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the State deferred and recording of the last State aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying Schedules on the Grant Accounting Budgetary Basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$68 for the General fund and \$0 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$	\$ 1,399,528	\$ 1,399,528
Special Revenue Fund	110,603	-	110,603
Food Service Fund	24,282	779	25,061
	\$ 134,885	\$ 1,400,307	\$ 1,535,192

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

- Note 4 - Relationship to Federal and State financial reports
Amounts reported in the accompanying schedules agree with the amounts reported in the related Federal and State financial reports.
- Note 5 - Other
Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2016.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? Yes X No

2. Were reportable conditions identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to General -

Were purpose financial statements noted? Yes X No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No

2. Were reportable conditions identified that are not considered to be material weaknesses? Yes No

What was the type of Auditor's Report Issued on Compliance for Major Programs? _____

Were any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Amount</u>	<u>Name of Federal Program</u>
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs? _____

Did the auditee qualify as a low-risk auditee? Yes No

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between
 Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes No

What was the type of Auditor's Report Issued on Compliance
 for Major Programs? Unmodified

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes X No

2. Were reportable conditions identified that are not
 considered to be material weaknesses? Yes X No

Were any audit findings disclosed that are required to be
 reported in accordance with NJ OMB Circular Letter 15-08? Yes X No

Identification of Major Programs:

GMIS Numbers	Amount	Name of State Program
<i>16-495-034-5120-078</i>	<i>\$ 557,245</i>	<i>Equalization Aid</i>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2016.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2016.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Schedule of Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.